Synklino

We envision a world where patients with chronic viral infections can live a full life again

Annual Report 2022

CVR no.: 38778676

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Vision

A world where patients with chronic viral infections can live a full life again.

Mission

Develop transformative therapies for the elimination of the risk for chronic viral diseases. Initially, by developing a safe and efficacious drug for the elimination of cytomegalovirus in high-risk immunocompromised patients and transplant recipients.

Establish a market leader position for our products

Our ambition

Fuel a pipeline with innovative, differentiated, and highly valuable drug candidates for chronic viral infections, based on our core technology platform.

Become a preferred partner for discovery and early clinical development in the chronic infectious diseases space.

Advancing scientific excellence towards valuable therapies utilising an exclusive international network

Our working philosophy

- Our science – focused, balanced & with high impact
- Our therapies – addressing unmet medical needs, with clear differentiation & attractive markets
- Our partners – ambitious, excellent & complementary

Improving the life of transplant patients

Our value proposition

Transplantation is intended to give patients their life back, but an infection with cytomegalovirus (CMV) triggered by the transplant conditioning therapy may be devastating to patient outcomes. SYN002 is aimed at improving the life of transplant patients and ensure their ability to enjoy a normal life after transplantation by eliminating the risk of CMV infection in transplant recipients, either by treating the donor organ (ex vivo) prior to transplantation or by treating the recipient after transplantation (in vivo).

Synklino at a glance

Synklino is a Danish biotech company developing drugs to cure chronic viral infections with immediate focus on ground-breaking therapies against CMV, a devastating viral infection in immunocompromised patients. Synklino's first-in-class drug candidate SYN002 is expected to be clinical phase-ready by the end of 2023 and targets both lytic and latent CMV infection in transplant patients. Thus, it aims at providing radically different therapeutic opportunities and a path for transplant recipients to live a full life again. Our platform technology holds the potential for expansion into treatment of other chronic viral infectious diseases. Synklino is a privately held company with a solid shareholder base including renowned life science investors, such as PKA, Vækstfonden and Eir Ventures.

Novel anti-viral therapies are urgently needed

- No available curative treatments
- Chronic infections cause life-long challenges, severe disease and death
- Immunocompromised patients suffer the most

Platform technology for pipeline expansion

100 years

Management's life science experience

1

First-in-class market opportunity

2

Two-pronged product strategy

159 mDKK

Cash and bonds as of 31 December 2022

87%

Share of organisation with master/Ph.D. degree or higher

45 mDKK

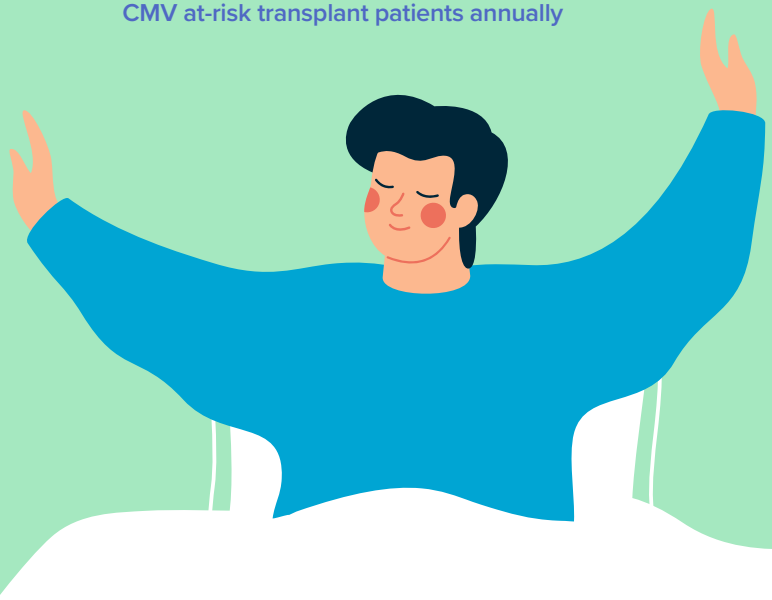
Annual R&D spend

SYN002

Our groundbreaking CMV drug candidate

100,000

CMV at-risk transplant patients annually



Achievements in 2022 and 2023 key priorities

Key priorities 2022 and achievements	Business activity	Key priorities 2023
• Pre-clinical scientific advice meeting with the Danish Medical Agency was conducted in July with good alignment on the pre-clinical and CMC development strategy • SYN002 drug product manufacturing progressing • GLP toxicology study delayed until H1 2023 pending additional toxicology studies to further clarify the profile of SYN002 • Novel target identification for discovery pipeline close to final	**Research and Development**	• Continue generating pre-clinical data to support Clinical Trails Application for SYN002 • Continue pre-clinical safety and pharmacology studies to enable GLP toxicology studies for SYN002 • Molecule selection for novel target for a chronic viral disease
• Business development strategy established with clear path to value creation. Outreach to pharmaceutical and larger biotech companies with activities within the space of infectious diseases initiated	**Business Development**	• Support discovery activities in selecting novel viral targets in indications with high unmet medical need and large market potential • Continue to nurture relationships with potential partners for Synklino's drug discovery programmes
• Financing for accelerated pipeline advancement towards clinical development secured by raising an additional DKK 116 million in June 2022	**Capital Structure**	• Initiate preparation for additional funding latest during 2024 as Synklino is sufficiently capitalised to fund the planned activities into 2024
• Critical hires for operations secured by onboarding key pharmacology and CMC competences.	**Governance and Organisation**	• Strengthen the organisation to execute the discovery platform
• Materiality assessment of key environmental, social and governance themes	**ESG**	• Continued anchoring of ESG themes in operations

Thomas N. Kledal
CEO & co-founder

John Haurum
Chair

Letter from the Chair and CEO

In Synklino, we envision a world where patients with chronic viral infections can live a full life again. Our contribution is to develop transformative therapies that can meet these patients' unmet medical needs. Initially, by developing a safe and efficacious drug for the elimination of cytomegalovirus in high-risk immunocompromised patients and transplant recipients.

We are highly motivated by our results in 2022. During the year, Synklino progressed from being a biotech discovery company with many aspirations to becoming a development company with great potential and short-term prospect for entering human clinical trials. This is a result of our ability to attract strong competencies in the biotech sphere, which has enabled us to fully benefit from the financing completed in June 2022 on top of the capital secured in November 2021 – in total DKK 222 million. The organisation has been strengthened with profiled pharmacology and CMC experts, specialised R&D consultants as well as personnel to support finance and executive management.

We are now preparing for clinical trials with SYN002 providing several paths to reach significant and value creating milestones in a shorter timeline. In addition, while CMC and preclinical activities for SYN002 was already planned for the year, the associated documentation, quality management, and drug manufacturing processes are conducted with best practice in mind.

Our strategic priorities are clear as we have set out to establish clinical benefit with our first-in-class drug candidate SYN002. As our next step, we aim to use our core technology platform to fuel a pipeline with innovative drug candidates for chronic viral infections. At the same time, we will strive to become a preferred partner for discovery and early clinical development in the chronic infectious diseases space.

Supporting our long term ambitions, we are also utilising our organisation to start building a discovery platform for the screening and identification of exclusive targets, which may fuel a pipeline of novel and highly differentiated clinical programs within viral infections.

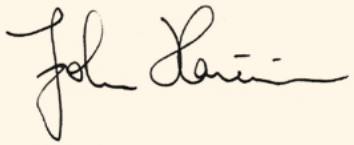
Towards the end of 2022, we unfortunately saw some toxicology signals in certain mammals in pilot toxicology studies with SYN002, which were planned to guide the dosing in clinical trials. In earlier preclinical studies in rodents and ex vivo human organs, no toxicology signs were observed at relevant doses. Based on these ambiguous findings, we have not yet been able to establish the dose and treatment regimen to enter GLP toxicology studies required to proceed towards clinical development with SYN002.

We are conducting several thorough studies to understand the relevance of the findings in these initial studies in the context of the planned administration to transplant organs and transplant patients. We are also conducting a set of comprehensive studies to further characterise the pharmacology profile of SYN002, the potential range of doses and suitable dosing regimen in the first clinical trial .

The conducted studies aim to secure the highest level of safety for our patients, by ensuring we understand the best way of using the SYN002 drug in terms of dosing schedule, dosing levels and other safety consideration. Our aim is, that SYN002 will be clinical-phase ready by the end of 2023.

All in all, we made strong progress in 2022, and Synklino were not directly impacted by geopolitical unrest and the war in Ukraine. In general, higher inflation and interest rates have had implications for the valuation of growth companies. The Nasdaq biotechnology share index dropped by 11% during 2022, in September it was even down by 23%. Considering the increased cost of capital, we are pleased with our current cash position, which provides strategic and financial flexibility, and it enables us to advance our key priorities beyond 2023.

Thomas N. Kledal
CEO & co-founder

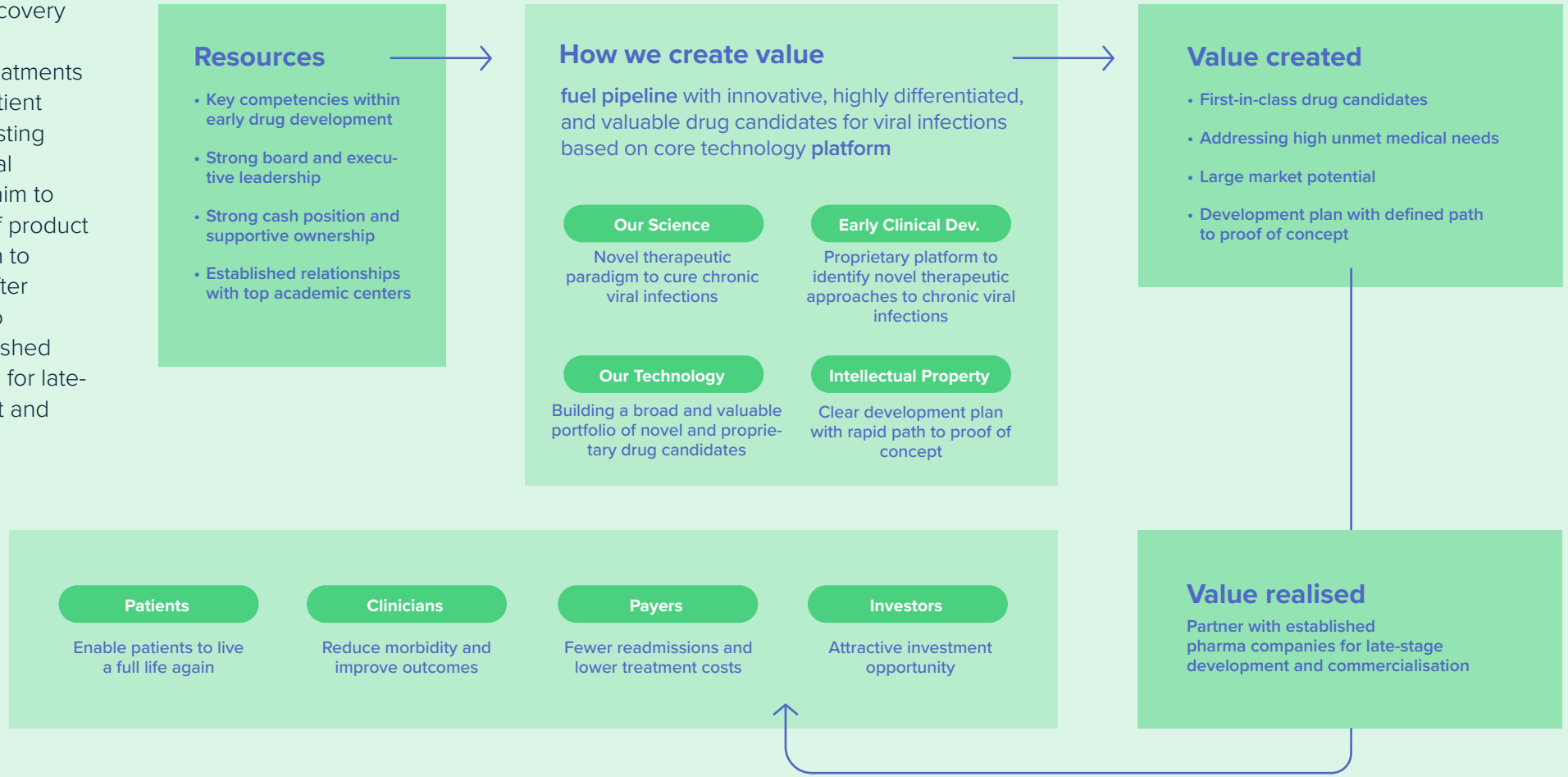


John Haurum
Chair

Business and strategy

Our business model

Our focus is on discovery and early clinical development of treatments for well-defined patient populations suggesting relevant commercial opportunities. We aim to retain ownership of product candidates through to proof of concept after which we expect to partner with established pharma companies for late-stage development and commercialisation.



Understanding Synklino

Preclinical development
Preclinical studies are conducted to determine a safe starting dose for first-in-human studies, and to assess the potential toxicity before moving into clinical trials in humans. Toxicity, safety and efficacy is investigated by using cell cultures and/or laboratory animals. In addition, a manufacturing process for the candidate drug is developed. The drug is manufactured under GMP regulations to ensure the safety of patients and/or healthy individuals that will receive the drug in clinical development.

GLP
Good Laboratory Practice (GLP) refers to a quality standard covering the processes and conditions under which nonclinical laboratory studies are planned, performed, monitored, recorded, reported, and archived. GLP ensures the quality and integrity of safety data submitted to the relevant authorities. GLP toxicology studies are performed to understand the onset, degree of severity, and time length up to which a particular dose of a drug demonstrates any toxic effects.

GMP
Good Manufacturing Practices (GMP) refers to a quality standard ensuring that patients receive medicinal products of uncompromised high quality. Compliance with these quality standards is imperative during the manufacture, processing, packaging, and storage of medicinal products. The goal is to have safe and effective drug to provide to patients in clinical trials and on the market.

CMC
Chemistry, manufacturing, and controls (CMC) is the set of manufacturing practices and product specifications that must be followed and met to ensure continued product safety and consistency. CMC development also covers studies to show the stability during storage and use. A CMC manufacturing process for the active ingredient as well as the formulated and filled product must be established before testing a medicinal product in humans, and before filing a clinical trial application. CMC development begins after a drug candidate is identified and continues through all remaining stages of drug development.

Clinical trial application (CTA) and Investigational New Drug Application (IND)
A Clinical Trial Application (CTA) in, e.g., EU and Canada or an Investigational New Drug Application (IND) in USA, is a submission to a designated national regulatory authority for obtaining authorisation to conduct a clinical trial in a specific country. It contains all necessary information on a potential new drug for the health authorities to provide clearance for testing the investigational medicinal product in human clinical trials, including for the assessment of the benefit/risk ratio of the study. The CTA contains information about the nonclinical studies, CMC and the clinical protocol describing how the drug will be tested in humans, and how safety and efficacy will be determined and monitored.

Therapeutic window
The dose range of a drug that provides safe and effective therapy with minimal adverse effects. Generally, at low concentrations, a drug runs the risk of being ineffective, and at high concentrations, the risk

of adverse effects is increased. Dosing regimens are designed to maintain drug concentrations within therapeutic windows, maximising efficacy and minimising side effects.

Ex vivo organ perfusion

Ex vivo organ treatment has been initially introduced to preserve donor organs until transplantation into the recipient (simple storage on ice) and has since evolved towards perfusion of the donor organ to preserve it's quality or to actually improve organ function and acceptability for transplantation. Today, continuous perfusion of donor organs with fluids during machine perfusion not only allows improved storage at low temperatures with assessment of critical organ function parameters, but it also enables improvements of organ function during normothermic (i.e. body temperature) perfusion conditions with for example blood products or perfusion solutions that contain important nutrients, cells and even therapeutics, which are expected to improve the organs' function and its longevity in the recipients after transplantation. Ex vivo machine perfusion also increases the number of transplanted organs via improvement of their function and subsequent acceptance for transplantation and ultimately improves the chance for a positive outcome of organ transplantation.

Functional cure

The goal of a functional cure is to reduce the level of virus in the body to a level where it no longer constitutes a risk of reactivation and disease. The virus is not completely eliminated by the treatment, but the remaining levels are so low that its potential harmful activities are controlled by the patient's own immune surveillance system without requiring continuous treatment with antiviral medication. In CMV it means, that a treatment would eliminate lytic virus producing cells and reduce latent virus bearing cells to a level that makes it impossible for latent infected cells to reactivate and cause disease. This would result in active virus becoming undetectable with standard virus detection assays.

Interview with Fredrika Carlsson

Fredrika Carlsson is Project Director for the development of SYN002. In this interview, she provides her insights into working on SYN002 in Synklino.

What is your role at Synklino?
"My primary focus is to lead the team and run the SYN002 project according to the development plans and to Synklino's business objectives. While managing the project, I take part in scientific work, strategic discussions and present to our board of directors. We are a young company, which gives a lot of flexibility and variation in my daily work."

Could you tell us about your career journey prior to joining Synklino?
"I completed my masters and PhD at Lund University. My PhD focus was on developing antibodies against one of the surface proteins of cytomegalovirus. I subsequently moved to California to complete a post-doctorate at Scripps Research Institute and at the University of Southern California. After living in the States from 2012 to 2017, I moved back to Sweden to work at Alligator Bioscience as a senior scientist in microbiology, project leader for two early preclinical projects and team leader under the department of research operations with a team of seven people."

How is it to be working on developing SYN002?
"It's exciting and challenging. We are developing a first-in-class drug, which means that we must move beyond of what we know, especially when designing preclinical studies. We need to work in a cross-functional manner, for everyone to put their knowledge into the project in order to move forward."

Can you describe your experience of working at a young biotech firm versus a well-established biotech firm?
"I enjoy being able to work with the whole organisation. As an emerging biotech company, everyone is dependent on one another, from our colleagues in the lab, to the management team and the board. That is something you wouldn't really see at a larger company, where you are expected to fill out a very specific role."

How is working in Copenhagen, while living in Sweden? In terms of work culture and flexibility.
"Living in Lund and commuting to Copenhagen works well. I work from home two days a week and commute to the office the other three days. With kids and family, you have to plan a bit ahead, and that works well with the flexible work environment at Synklino."

"In terms of work culture, Sweden and Denmark differ to some extent, in my opinion. Swedes have a consensus-based decision-making process. Danes seem to have a faster process and then adjust along the way if needed. In the end, the same goals are reached just in different ways. I like to think I bring parts of the Swedish model to Synklino, while also learning from the Danes. A more diverse workforce is only positive, in terms of ideas, management and success."

CMV – the disease and target groups

Very common
human pathogen

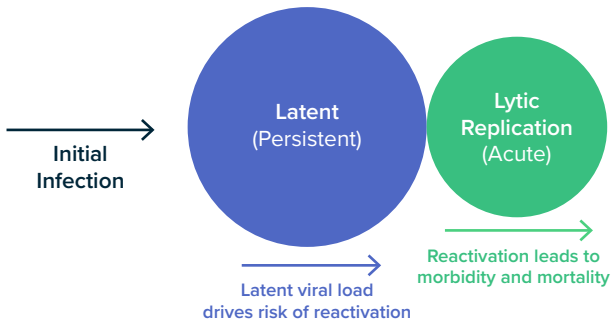
DNA virus
of the herpesvirus family

60% of all humans
have a life-long persistent CMV infection

Immunosuppression
leads to virus reactivation from latency

CMV is a serious disease in immunocompromised transplant patients

CMV lifecycle changes



Human cytomegalovirus (CMV) is a β-herpesvirus. Like all herpesvirus, CMV establishes life-long, latent infection and there is currently no cure for CMV. Throughout life, CMV can repeatably re-activate from latency and cause an active lytic infection. Normally, a healthy person's immune system keeps the virus from causing illness and most people will never know they have CMV. If the immune system is weakened or suppressed, as is the case in connection with solid organ, stem cell or bone marrow transplantation, CMV is a major cause for concern and can be fatal if not controlled.

CMV reactivation from latency is a major health risk in transplant recipients due to the need for concomitant immunosuppressive therapy.

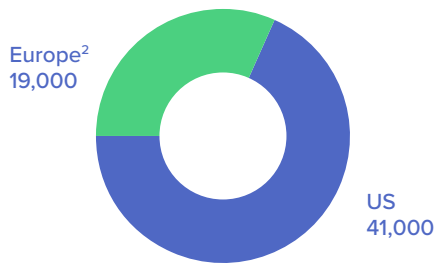
When patients have an active infection with CMV, the symptoms include, e.g., high fever, swollen lymph nodes, rash, fatigue, and a sore throat. Where patients with a normal functioning immune system will fight off the active infection and drive it back to latency, the immunocompromised patients are at much higher morbidity and mortality risk. Active infection and accumulation of a high viral load in immunosuppressed patients including transplant patients lead to various CMV disease manifestations including graft organ rejection, and death. For transplant patients CMV results in doubling re-hospitalisation, incurring 50% increase in transplant costs and tripling the risk of death post-transplantation of vital organs.

The transplantation market

Around 100,000 solid organ and stem cell transplants are performed annually, and the number is growing by 3-5 % annually.

100,000 at risk transplant patients require CMV therapy every year. High-risk patients are CMV-negative recipients of solid organs from CMV-positive individuals (D+/R- profile) and CMV-positive recipients of stem cell transplants (R+) irrespective of the status of the donor.

Solid organ transplants[1]



Hematopoietic stem cell transplants

1. 2021, http://www.transplant-observatory.org for 5EU and US;
2. United Kingdom, Germany, France, Spain, Italy;
3. 2017, https://ec.europa.eu/eurostat/web/products-eurostat-news/-/EDN-20191011-1;
4. 2018, https://bloodstemcell.hrsa.gov/data/donation-and-transplantation-statistics/

SYN002 – a potential first CMV functional cure

With the limited efficacy of currently available CMV drugs, around 30% of treated transplant patients experience clinically significant CMV breakthrough infection. SYN002 has the potential to become a functional cure for CMV, as it targets both lytic and latent CMV infection. Currently approved standard of care antiviral treatments only target the lytic infected cells, and have not shown any impact on the latently infected cell reservoirs.

Synklino's drug candidate SYN002 is expected to be highly efficacious and potent on the lytic infected cells, also compared with standard of care antiviral therapeutics, and has the potential of a first-in-class therapy in targeting both lytic and latently infected cells.

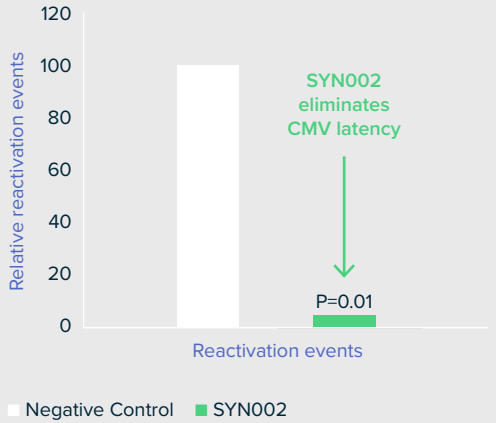
Given the compound's unique mechanism of action, SYN002 has the potential to eliminate the risk of CMV infection and reactivation in immunocompromised transplant recipients.

Currently approved antiviral therapeutics have proven efficacious only after administration for an extended period of time of 100-200 days to suppress the active infection. The extended treatment schedules combined with limited efficacy, increases the risk of resistance development. SYN002 is fast acting with full efficacy within hours or days and therefore short-term treatment with SYN002 is expected to result in a lower risk of resistance development compared with standard of care (SOC).

"The key feature of SYN002 is its potential to eradicate both latent and lytic CMV."

Christina Hjæresen,
CMC Project Director

SYN002 efficiently eliminates latently infected cells



SYN002 addresses all unmet medical needs related to standard of care (SOC)

Standard of care		SYN002	
POOR Efficacy	~30% of transplant patients develop clinically significant CMV infection	**HIGH** Efficacy	Potent cell killing characteristics are expected to translate into higher efficacy in CMV infection control
LONG Treatment	Dosing for a period of 100-200 days, leading to suboptimal patient compliance	**FASTER** Treatment	Treating for days/weeks instead of months, improved compliance
NO CURATIVE Potential	No activity against latent virus and therefore no potential to functionally cure CMV, since reactivation is a continuous risk.	**CURATIVE** Potential	Targets infected cell reservoirs, prevent reactivation
RESISTANCE Development	Long treatment periods without curative potential increases the risk of resistance development	**LESS RESISTANCE** Development	Shorter treatment period and curative potential reduces resistance risk

Recent progress and the way forward for SYN002

SYN002 development strategy
For SYN002, we aim to follow a two-pronged development strategy. We seek to treat organs prior to transplantation, i.e. ex vivo. Using this unique administration of SYN002 to organs outside the body, we aim for removing latent infection and hence eliminate the risk of later viral reactivation in the patient receiving the organ. All current standard of care options are administered in vivo after the transplantation procedure and only addressing active (lytic) CMV infection. But at this stage, the infection has already affected the receiving patient. The unique opportunity to treat organs with SYN002 prior to transplantation and with that remove the risk of infection is a highly differentiating factor for SYN002.

In addition, SYN002 is considered a candidate for future standard of care in post-transplant prophylaxis of CMV reactivation based on its first-in-class potential to eradicate latently infected cells in the patient, i.e. in vivo treatment. This will address the risk to the patient posed by the patient's own latent infection with CMV combined with the needed immunosuppression therapy following transplantation.

Our current focus is on preclinical development of SYN002 to prepare for a Clinical Trial Application. This includes studies to determine the therapeutic window, pharmacology studies, GLP toxicology studies and establishment of a manufacturing process as well as manufacturing the drug product.

Pharmacology studies
Experimental preclinical ex vivo treatment of organs using SYN002 has proven a clinically relevant ability to significantly reduce latent CMV infection in lungs. We are continuously conducting ex vivo studies in different organs, exploring the relevant dosing regimen, efficacy, and potential toxicological effects.

Additional preclinical proof of concept studies have been conducted in relevant disease models in animals, as well as pharmacokinetics / pharmacodynamics studies to support clarification of the best dosing schedule. Assays have been developed that allow us to monitor SYN002 in various species and different perfusion fluids, which is essential for complete understanding of the interaction between the drug and the treated organ or person and hence the effect, safety, and future dose setting.

In vitro studies with SYN002 have shown efficacy on both lytic and latent infection, as well as on CMV isolates otherwise known to be resistant to current available treatments.

Toxicology studies
We have conducted toxicology studies in animals to explore the safety profile of SYN002. Different species show different results. We have observed some toxicology signals in certain mammals in pilot toxicology studies with SYN002, which were planned to guide the dosing in clinical trials. In earlier preclinical studies in rodents, no toxicology signs were observed at relevant doses.

We successfully treated human lungs ex vivo with SYN002 with no observations of toxicological effects with respect to the tissue and the lung function. This is now being investigated in other organ types as well. With this data at hand, we are looking closely at the pharmacological and toxicological translation between the human ex vivo studies and all the efficacy and safety data from our animal studies.

Based on these ambiguous findings, we have not yet been able to establish the appropriate dose and treatment regimen to enter GLP toxicology studies required to proceed towards clinical development with SYN002. We are conducting a set of comprehensive studies to further characterise the pharmacology profile of SYN002, the potential range of doses and suitable dosing regimen in the first clinical trial.

CMC activities
Process development activities are ongoing at our contract manufacturing organisation and GMP manufacture of drug for clinical trials is planned.

Our science

SYN002 can identify and selectively bind to US28, a protein exclusively expressed on CMV-infected cells and involved in the regulation of viral latency and reactivation. SYN002 is internalised into infected cells, which are then killed.

By efficiently taking away latently infected cells after just 6 hours of ex vivo therapy in living human lungs, SYN002 holds the potential to eliminate the risk for CMV infection in solid organ transplant patients.

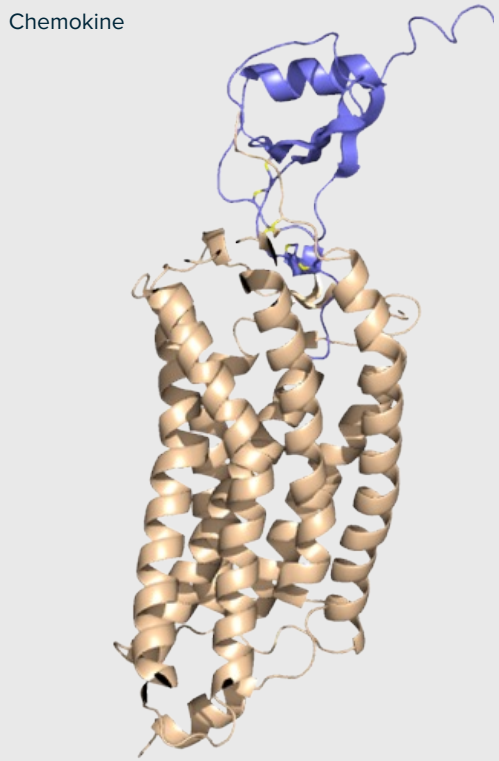
"A drug that hits the lytic and latent virus would be extremely exciting if it wipes out CMV and also prevents late reactivation."

Key opinion leader

Patent protection

SYN002 is protected at least until 2040, and we own the IP protecting SYN002. We have a granted US patent, an active patent application covering composition of matter of central improvements of the technology, and we have an active application covering the use of the drug candidate in organ perfusion systems broadly.

US28 is a novel CMV-specific target

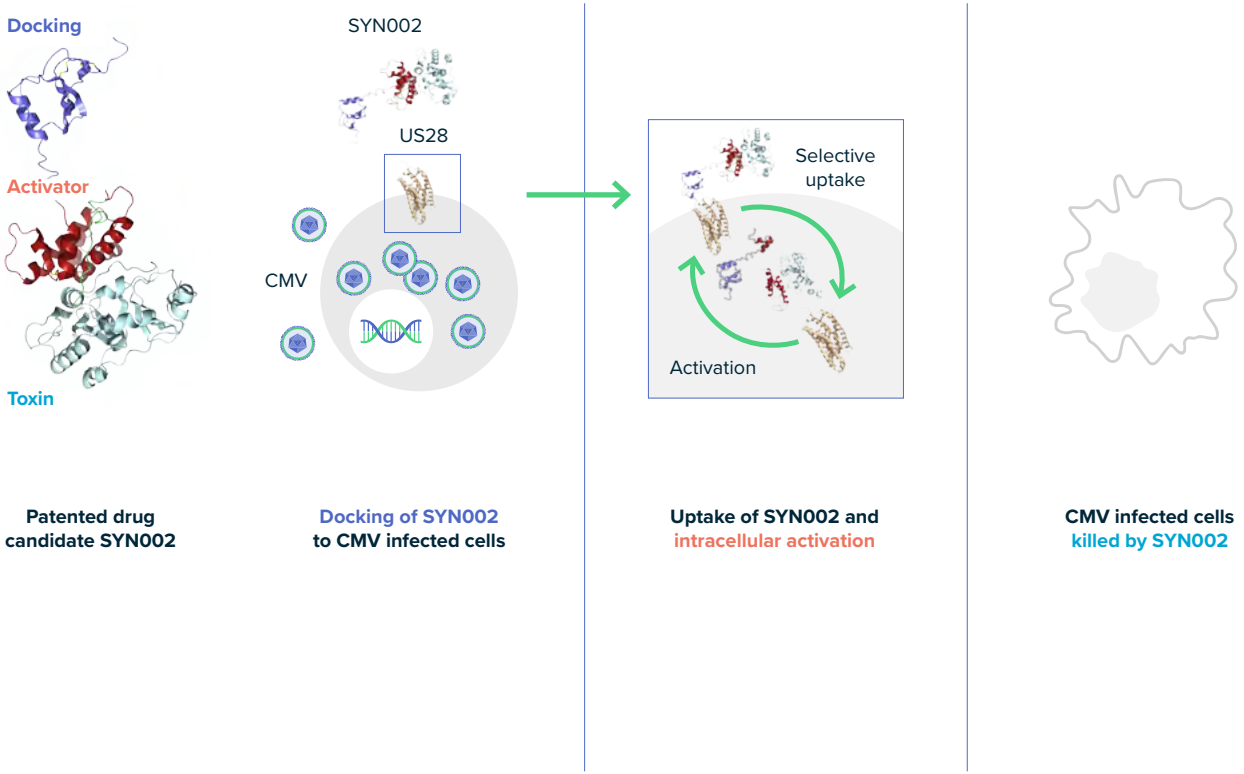


US28

Leveraging the active function of US28 to gain access to CMV infected cells

- Membrane protein encoded by CMV
- Exclusively expressed on CMV infected cells
- Expressed during both lytic and latent phase
- Continuously internalising
- Acts as a chemokine scavenger

Unique mode of action targeting both lytic and latent infection



Patented drug candidate SYN002

Docking of SYN002 to CMV infected cells

Uptake of SYN002 and intracellular activation

CMV infected cells killed by SYN002

Competitive landscape

- The two major standard of care drugs for CMV treatment are small molecules. These are associated with drug-drug interactions, resistance development as well as prolonged treatment and compliance challenges. They have no curative potential, and do not protect against reactivation and late onset CMV upon completed treatment.
- Small molecule inhibitors in pipeline are considered as potential supplements or alternatives to current standard of care but suffers the same shortcomings.
- Antibody (combination) treatment is designed to block viral entry preventing spread of the virus and are considered as potential supplements or alternatives to standard of care. Previous anti-body-based drugs did not provide sufficient efficacy and had limited market penetration.
- Given their mechanism of action, vaccines would be challenging to position in immunosuppressed or immune impaired patients, as efficacy will be dependent on a functional immune system.
- Cellular based immunotherapies are considered non-competitive compared to alternative therapeutic modalities due to the financial, logistics and manufacturing requirements necessary to bring these therapies to patients.

Building a pipeline of innovative therapies

Synklino is based on a discovery platform for identification of novel viral targets and holds the potential to support a pipeline of novel and differentiated preclinical and clinical programs. The current scope is within indications with no approved therapeutics or inadequate treatment options, especially within chronic viral infections where persistent presence of the virus as seen with latency constitutes a medical challenge. Our focus is on discovery and early clinical development of treatments for well-defined patient populations and with relevant commercial opportunities. We aim to retain ownership of product candidates through to clinical proof of concept after which we expect to partner with established pharma companies for late-stage development and commercialisation.

Our key strategic priorities

1. Establish clinical proof-of-concept (clinical phase I) for SYN002
2. Build a pipeline of innovative, differentiated, and highly valuable drug candidates against chronic viral infections based on our technology platform
3. Become a preferred partner for discovery and early clinical development in the chronic infectious diseases space

Platform and research

Synklino's innovative bioinformatic platform allows for fast identification of relevant viral targets. Combined with our unique scout technology, we can quickly screen and confirm compatibility between the mode of action (MoA) of Synklino's technology and the drug targets. This approach reduces the time and resources required to advance a potential drug target from discovery to a new drug in development. Additionally, it brings new targets into Synklino's discovery that would otherwise be difficult to single out using more traditional target screening approaches.

Our discovery platform

Aim

- Utilise our platform for accelerated identification of relevant targets applicable for Synklino's technology
- Maturing lead candidates into clinical development in collaboration with industry partners
- Develop therapies capable of eliminating the cellular reservoirs of chronic viral infections

Target identification focus area

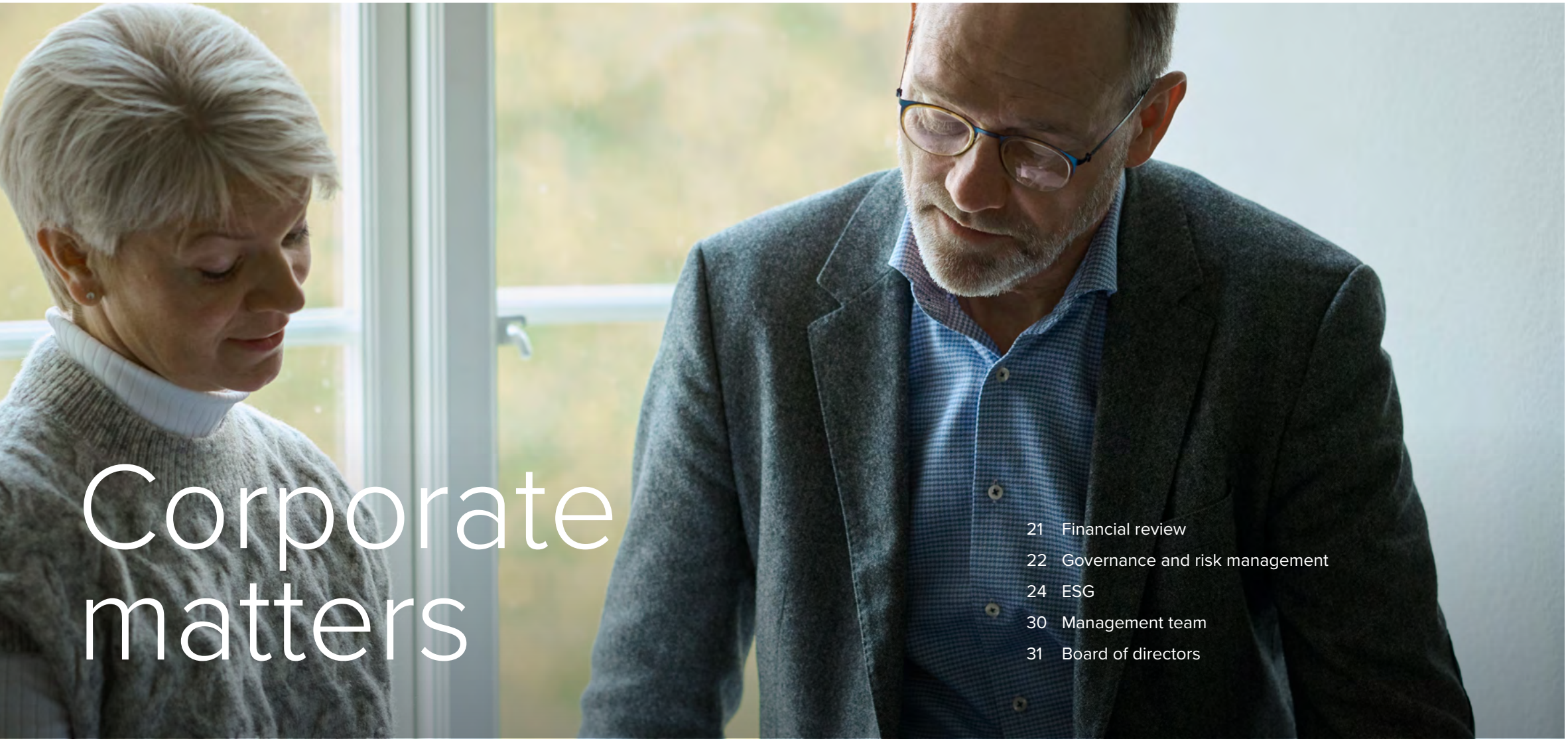
- Viruses within transplantation
- Chronic viral infections

Lead generation

- Extended use of contract research organisations for lead generation and selection
- Partner with scientific and clinical experts in given disease indications

Lead selection

- Target and virus specific in vitro and in vivo models in collaboration with international partners



Corporate matters

Financial review

Income statement
The Company recognised operating expenses of DKK 60.3 million (DKK 11.7 million) for the full year 2022. Operating expenses comprise staff costs of DKK 17.5 million (DKK 5.0 million) and other external expenses, primarily covering research and preclinical development costs, of DKK 42.4 million (DKK 6.7 million). The cost increase was due to the progression in preclinical activities and CMC activities and new hires.

The operating loss (EBIT) for the full year 2022 was DKK 60.3 million (DKK 11.7 million). Net financial items amounted to DKK -2.8 million (DKK -1.0 million), deriving mainly from change in fair value on embedded derivatives and interest on financial liabilities measured at amortised cost.

The company recognised a tax credit for 2022 of DKK 5.5 million (DKK 1.9 million). The tax credit has a positive effect on liquidity in 2023 in accordance with the R&D tax incentive, adopted by the Danish Parliament.

The net loss for the full year 2022 was DKK 57.5 million (DKK 10.8 million), which is in line with the company's plans and expectations.

Cash flow
Operating cash flow for the full year 2022 was an outflow of DKK 49.4 million (outflow of DKK 12.5 million). Total net cash flow for the full year 2022 was an outflow of DKK 41.9 million (inflow of DKK 87.8 million).

The operational cash flow is mainly explained by the loss for the year. The total cash flow is further explained by an inflow from finance activities through the issue of shares of DKK 108.9 million (2021: DKK 100.4 million) which is partly offset by a cash outflow to investments in bonds DKK 100 million.

Investment in Danish mortgage bonds of DKK 100 million is performed to mitigate risk of fluctuation in interest rates and maturity of bonds corresponds to planed use of cash i.e., maturity is primarily April 2023 and secondary April 2024.

With the current cash position, Synklino is sufficiently capitalised to fund the planned activities into 2024. The Company forecasts that additional funding will be needed during 2024 to further advance its lead compound SYN002 and move into a clinical stage company.

Financial position
Total assets were DKK 171.7 million (DKK 104.7 million) as of 31 December 2022. Cash and cash equivalents amounted to DKK 58.7 million (DKK 100.5 million), and bonds amounted to DKK 100.2 million (DKK 0.0 million). Tax receivables amounted to DKK 5.5 million (DKK 1.9 million) and other receivables and prepayments amounted to DKK 4.8 million (DKK 2.3 million) primarily related to VAT refund and prepayments on R&D activities.

Capital resources amounted in total to DKK 158.9 million (DKK 100.5 million) consisting of cash and cash equivalents amounting to DKK 58.7 million (DKK 100.5 million) and bonds amounting to DKK 100.2 million (DKK 0.0 million).

The equity ratio was 85% (2021: 85%) as of 31 December 2022, and equity was DKK 145.7 million (DKK 88.8 million).

Events after the balance sheet date
No events have occurred since the balance sheet date, which could materially affect Synklino's financial position.

Governance and risk management

Synklino A/S is a Danish, limited liability, privately owned company headquartered in Copenhagen, Denmark. We aim to maintain a well-balanced division of responsibility between the Board of Directors and Management and act with transparency towards investors, employees, and society. The Board of Directors has established an Audit Committee and a Remuneration and Nomination Committee, which work according to procedures established by the Board of Directors. The Board of Directors will establish additional specific board working groups when appropriate to assist the Board of Directors in discharging its duties.

Risk management
Various risk factors may have an adverse impact on Synklino's operations and therefore our results and financial position. Our strategy for risk management is to act proactively to limit undesirable impact on our result and financial position, to the extent possible.

Continuous evaluation of Synklino's risk profile, mitigating options and contingency plans facilitates a proactive risk management process, including identification and handling of risks. Key risks are first identified through a bottom-up process including description of the risks and mitigating actions taken to reduce either the likelihood of occurrence or the potential impact. Management team members are assigned risk owners with responsibility for monitoring and mitigating each of the risks.

Financing needs
Synklino has reported significant losses since we began operations and for the financial year 2022, we reported a loss of 63.0 MDKK (2021: DKK 12.7 million) before tax. Synklino's research and development efforts require significant investments, and we are thus dependent on our ability to raise capital in the future to finance our planned activities. Any delays in clinical trials or product development could negatively affect the cash flow. There is a risk that we will be unable to raise additional capital or other financing. This may lead to a temporary halt or otherwise have impact on the clinical development activities or result in Synklino operating at a slower rate than desired, which may affect the company's operations.

Synklino mitigates financing risks by ensuring solid financial planning, prioritisation, and by keeping spending and investment at appropriate levels to maximise liquidity runway. We also strive to have strong relations with existing and potential investors as well as other players in the financial market.

Manufacturing of the drug product
Synklino is manufacturing the drug product SYN002, including process, analytical and formulation development in close collaboration with the contract development and manufacturing organisation Northway Biotech. Manufacturing of a biopharmaceutical drug product is associated with risks of delay and/or increase in costs or even failure to manufacture the product.

Preclinical development
Synklino is conducting regulatory preclinical development activities as a preparation for entering clinical trials. Preclinical activities and the derived dosing and safety data are associated with risks of delay and/or increase in costs or even failure to meet planned targets.

Mitigation of the preclinical development risks is based on multiple measures. Synklino seeks to engage highly qualified scientific staff, consultants, and clinical research organisations (CRO). Synklino maintains close dialogue with relevant authorities to secure optimal path to approval of trial applications and compliance with GLP regulations etc. Synklino's quality management system also supports compliance with standards, rules and regulations.

IT security
Synklino is a data-driven business depending on secure IT systems. Disruption or compromise of IT security due to cyberattacks and cyber fraud could affect all parts of Synklino's operations. Failure to adequately protect the IT infrastructure and key systems against the risk of security incidents could potentially impact critical business processes.

Synklino mitigates IT security risks with appropriate protection from viruses and malware, and sensitive data is subject to restricted use. Synklino works with an external IT service provider on IT operations and cyber security. Synklino has implemented adequate data backup procedures including off-site data backup.

Key individuals and employees
Synklino is a young organisation with limited human resources. The success of Synklino depends on the ability to attract and retain qualified staff or key employees both nationally and internationally. Failure to do so could have a material adverse effect on our business processes.

Synklino mitigates risks by building a stronger organisation with more overlapping competencies. We also strive for a good working environment and employment conditions that reflects market conditions.

Registration and licensing
Synklino has not yet received approval for any product candidate for commercial sale and, as a result, the company has not yet generated any revenue. To be able to market and sell pharmaceutical drugs, authorisation must be obtained, and registration must take place at the appropriate agency in their respective markets, such as the Food and Drug Administration (FDA) in the U.S. and the European Medicines Agency (EMA) in Europe. In the event Synklino, directly or via collaborative partners, fails to obtain or maintain the requisite permits, approvals and registrations from the governmental authorities, there is a risk that the company's ability to generate revenue will be inhibited. There is also a risk that applicable rules and regulations, and the interpretation of applicable rules and regulations, may change and these changes may be material. There is a risk that this will affect the company's prerequisites for meeting regulatory requirements.

Patents and other intellectual property rights
Synklino has applied for patents on the drug candidate SYN002 in Europe, USA, Canada and a number of other countries. Since patents and intellectual property rights have a limited-service life, there is a risk, that the existing and/or future patent portfolio and other intellectual property rights held by the company may not provide adequate commercial protection. Third parties could also challenge the validity of key patents for Synklino. Any invalidation of key patents would be detrimental to Synklino's ability to develop and commercialise SYN002. In order to develop and commercialise SYN002, Synklino may have to in-license further patents and intellectual property rights from third parties. Any license would come at a cost for Synklino and could negatively impact the business case for SYN002.

Synklino works closely with external patent counsels to minimise the risk of patent infringement against Synklino and to prepare for any potential patent infringement claims as well as defence.

Additional financial risks
Please see note 15 for additional financial risks.

Environment, Social and Governance (ESG)

As a company Synklino has the potential to positively impact many people's lives. At least 100,000 at-risk transplant patients in Europe and the US require anti-CMV therapy every year. Our primary goal is to enable those patients to live life again with less discomfort after having had an organ transplantation – through innovation and advancement of our pipeline. This can only be obtained if our employees are engaged, well-educated, and diverse. As such, we have a strong intrinsic focus on creating common value for patients, employees, and society.

Materiality assessment

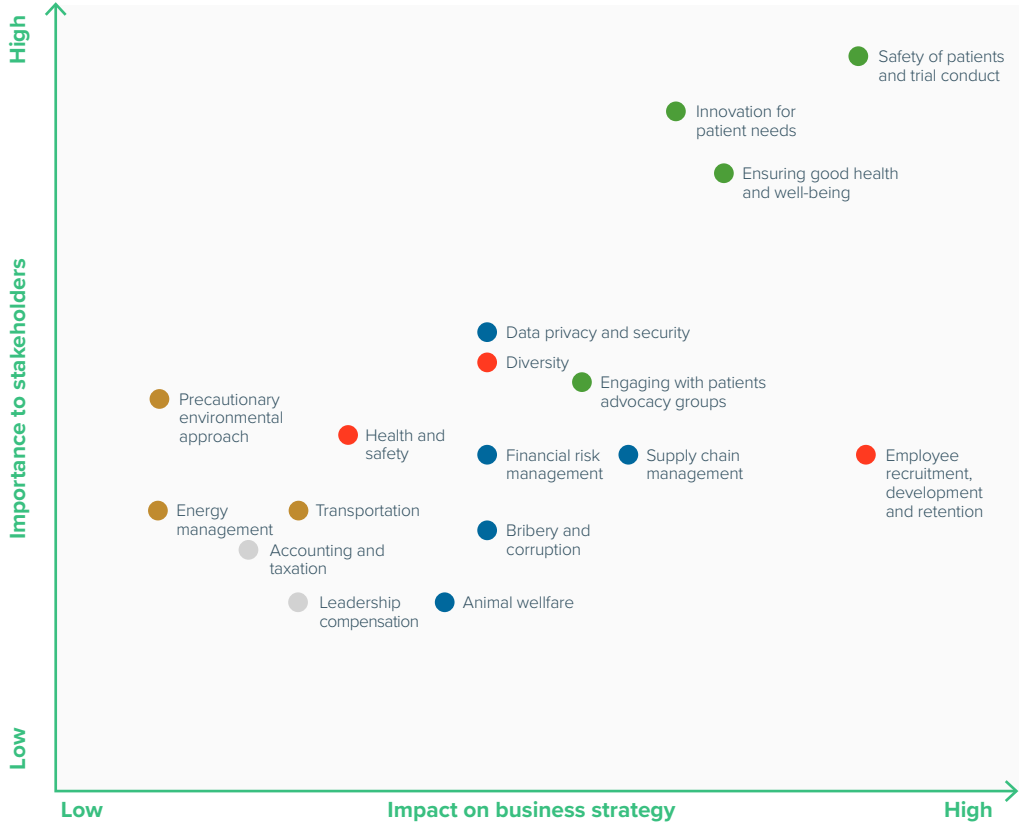
In 2022, we conducted a double materiality assessment to guide our future ESG policies, efforts, and goals. Based on stakeholder interviews, review of soft and hard laws and standards as well as peer analysis, we identified and ranked ESG themes based on their importance to our business and stakeholders.

The assessment concluded, that the 16 ESG themes in 5 clusters as presented in the matrix were of specific relevance to Synklino:

- Patient outcomes and ethics
- Business ethics
- Human rights and people
- Climate and environment
- Corporate and financial governance

In the following sections, we describe our policies, ambitions, efforts, and goals within each of the five areas. They reflect that Synklino is a young, small company with high ambitions that has just embarked on its ESG journey.

Synklino materiality matrix 2022



Patient outcomes and ethics

Synklino contributes to healthy lives and may allow patients to live life again.

Through innovation we address unmet medical needs thereby allowing patients to live life again. Our medicines may eventually make a critical difference in the lives of people, while our technology has enabled us to lay the long-term foundation for addressing other diseases with unmet medical needs.

The number of organ transplants is growing, while waiting lists are growing faster, stressing the importance of making every transplant count. The potential impact on patients' lives and healthcare systems is substantial. With SYN002, we aim to reduce morbidity and improve outcomes and secure fewer readmissions as well as lower treatment costs.

Patient outcomes and ethics were identified as top priorities in our materiality assessment, specifically patient safety, trial conduct, innovation, and patient outcomes. Initiating GxP activities in 2023 will drive a need for a more robust quality management system to ensure transparency, safety, quality, and compliance throughout our value chain. This is especially important for the selection, oversight and management of CROs and manufacturing partners.

The fundamental principles for conducting high-quality clinical trials will be:

- Patient safety and needs are at the center of our business, also when engaging CROs and CMOs.
- We will communicate efficacy and adverse effects transparently and honestly.
- We will ensure that GxP standards are observed.
- In the long term, we expect to engage with relevant patient organisations to raise awareness and align drug development to patient needs and outcomes.

Our goals for 2023

1. Establish a quality management system (QMS) to ensure transparency, quality, safety, and compliance, including systematic documentation and training of employees.
2. Introduce a procedure for vendor selection and oversight to ensure our business partners adhere to ESG standards.

Business ethics

Synklino aims at contributing to a business environment with high ethical standards along with refraining from bribery and corruption.

We strive to operate according to the highest ethical standards and safeguard our business against corruption and noncompliance. This includes the protection of personal or sensitive information that individuals and/or organisations submit to us or that are collected in trials. We have adopted practices that safeguard the privacy of patient information and protect data from unintended use.

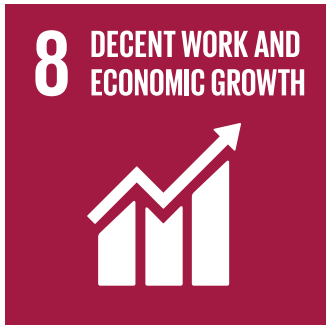
We aim for having systems and policies in place to ensure that we and our business partners act responsibly and comply with all relevant laws, regulations, and codes of conduct including bribery & corruption, data ethics, and animal welfare.

Our policies and systems will also include suppliers, ensuring they conduct business ethically and responsibly in areas such as environmental management, occupational health & safety, freedom of association as well as forced labour and child labour.

In 2022, we updated our employee handbook to address the exchange of gifts, as well as conflicts of interest and bribery. All policies pertaining to compliance, governance, the environment, and human rights are outlined in our CSR policy.

Our goals for 2023

1. Create GDPR, trade secrets and confidentiality policies that include implementation guidelines and staff training.
2. Introduce an intellectual property and patent rights training program for our research and development staff.



Human rights and people

Synklino strives for gender diversity at all levels of the organisation.

Synklino is committed to promoting a safe and healthy work environment, as well as respecting human rights and labour standards.

Our business is to discover, develop and deliver new medicines, which requires long-term investments in our employees whose commitment is a foundation for our success. We aim at engaging the best and brightest minds, fostering a diverse and inclusive workplace, while developing and rewarding our employees. We value diversity and believe diverse teams arrive at better solutions that ultimately benefit patients and our company. That is why we are committed to providing equal opportunities for all employees. This includes recruiting, hiring, training, and promoting without regard to race, colour, gender expression, religion, age, sexual orientation, national origin, or disability.

We will continue to work for gender diversity of employees at all levels of the organisation and provide equal opportunities for women and men at all levels, as well as ensuring equal pay.

In November 2022, we expanded our standard maternity leave policy and implemented an updated parental leave policy granting both parents a minimum of nine weeks of paid parental leave within the first year after becoming parents. We want parents to celebrate parenthood, while helping them with their transition back to work. We want both parents to have the same opportunity to pursue a career, and to bond and spend time with their children, without bias in opportunities due to gender.

We will safeguard our employees' health and well-being and strive to prevent all accidents. We do not tolerate retaliation or retribution against anyone who reports a concern or participates in an investigation in good faith. In 2022, we had no work-related accidents.

As of year-end 2022, women accounted for 63% of our workforce, 40% of management positions are held by women, and 25% of our board of directors. We acknowledge that women are well represented within the organisation but recognise implementing a more thorough diversity initiative is needed to ensure gender diversity in leadership positions.

Our goal for 2023

1. Develop a formal occupational health and safety policy that addresses physical and mental well-being at the workplace, along with guidelines and training to implement such policies.

Climate and environment

Synklino aims at continuously reducing our impact on the environment, while openly communicating our progress.

Synklino's climate impact is limited but we nonetheless will act to further reduce our impact where possible.

As a company committed to improving human health, we recognise our responsibility in having a positive impact on the planet's health as well. In the long term, investing in environmental sustainability will allow us to be more efficient and resilient, resulting in reduced operating costs.

Due to our business model many activities are outsourced, including drug manufacturing and clinical trial execution, thus Synklino's direct impact on the environment and climate is minimal.

Nonetheless, action is needed by all to limit the impact of climate change. We will strive to limit our greenhouse gas (GHG) emissions, and we will encourage our business partners to do the same. Synklino has currently no scope 1 GHG emissions.

Following a relocation in September 2022, our scope 2 and 3 GHG emissions data are not sufficiently reliable to provide a true and fair view of our climate impact, and we therefore plan to include GHG emissions data in our annual report for 2023.

We will take on a precautionary approach to environmental protection and thus limit our resource consumption, and waste generation where possible. Examples are energy and water consumption, waste sorting and disposal, and chemical use.

Our goal for 2023

1. Create a framework to collect and monitor GHG emissions data throughout our value chain.

ESG governance

The responsibility and oversight for Synklino's ESG initiatives are anchored with the management team, with input and oversight from our Board of Directors.

Management oversees the ESG strategy by establishing goals and driving actions in their respective functions. Synklino's CFO is currently responsible for overseeing the implementation of ESG policies, while ensuring activities are aligned and communicated to stakeholders both internally and externally, along with data consolidation and reporting practices.

Please refer to the risk and governance section for additional insights into our financial, governance and risk management processes.

The following tables present consolidated figures on social and governance indicators.

Gender diversity

	Unit	2022	2021
Total headcount	number	16	8
Gender split, total headcount	% f / m	63 / 37	50 / 50
Gender split, management	% f / m	40 / 60	40 / 60

Governance

	Unit	2022	2021
CEO pay ratio	times	2.6	1.5
Gender split, Board of Directors	% f / m	25 / 75	25 / 75

Workforce age

	Unit	2022	2021
20-29 years	%	12.5	12.5
30-39 years	%	12.5	12.5
40-49 years	%	37.5	37.5
50-59 years	%	37.5	37.5

Academic or educational degrees

	Unit	2022	2021
Ph.D.	number	8	5
M.Sc.	number	6	3
Professional degree	number	2	0
Total	number	16	8

Reporting principles

Gender diversity
Gender split expresses the ratio of women to men calculated at year-end.

Workforce age
Age split is presented in 10-year increments based on total head-counts and year-end age.

CEO pay ratio
The CEO pay ratio is the ratio of the CEO's expensed total remuneration in a calendar year compared to the expensed average total remuneration for all employees in the company.

Total headcount
Number of full-time employees and closely associated consultants calculated at year-end.

Academic and educational degrees
Academic and educational achievements are based on the Danish Qualifications Framework (DQF) reference levels. If a person had more than one degree, the highest achieved academic or educational level according to DQF was given priority.

Management team

Romain Lalandes
PharmD, M.Sc.
Head of Business Development

Joined Synklino in 2021. 10+ years of experience in Business Development & Strategy in private and listed biotech companies. Consultant for several biotech companies and VC firms in Europe.

French nationality.

Carit Jacques Andersen
M.Sc. BA
Chief Financial Officer

Joined Synklino in 2021. 20+ years of pharmaceutical and biotech experience as a financial leader with several CFO positions. Experienced taking companies public on the Nordic stock exchanges and managing listed companies.

Danish nationality.

Jette Wagtberg Sen
Ph.D.
Chief Operating Officer

Joined Synklino in 2019. 15+ years experienced within drug development, operations and CMC. Former Senior Director at Symphogen A/S.

Danish nationality.

Josefin-Beate Holz
M.D.
Chief Medical Officer

Joined Synklino in 2019 as consultant. 25+ years of drug development experience in the pharmaceutical industry. Executive managerial positions in international pharmaceutical and biotech companies. Medical Advisor for European Commission.

German nationality.

Thomas N. Kledal
Ph.D., MBA
Chief Executive Officer and co-founder

Co-founded Synklino in 2017. 25+ years in life science and biotech. Previous Head of Virology and Life Science Engineering at DTU, CEO at Inagen, senior scientist and group leader positions at the National University Hospital and at Risoe, DTU and post doc at Stanford University.

Danish nationality.

Board of directors

John Haurum
M.D., D. Phil
Chair of the Board, independent

First elected to the Board in 2019,
Danish nationality

Profile and special competencies
Previously CEO of F-star, VP Research at ImClone Systems (a wholly-owned Eli Lilly subsidiary), CSO and co-founder of Symphogen.

Current positions
ADCendo (C), AgomAb (C), CatalYm (C), Neophore (B), Solid Therapeutics (C), Storm (B).

Morten Schrøder
B.Sc. Business Administration
Board member, independent

First elected to the Board in 2021,
Danish nationality

Profile and special competencies
An experienced investor, business angel and board member in a range of mainly life science and medtech companies.

Current positions
Holdingselskabet J.S.R af 1.11.83 (C), VICH-M5320 (C), Winther Schrøder Holding ApS (CEO), MS Invest 2013 (CEO).

Thomas Feldthus
M. Sc., MBA, HD(A)
Board member, independent

First elected to the Board in 2021,
Danish nationality

Profile and special competencies
Entrepreneur with extensive strategic financial and general management experience within the life science industry. CEO and co-founder of Saniona. Co-founder of Scandion Oncology, Initiator Pharma, Symphogen, and Ataxion. Previous roles include CFO of Saniona, CFO of Symphogen and Investment Associate at Novo A/S.

Current positions
Saniona (CEO), Rehaler (C), ResoTher Pharma (B), Fertilizer Invest (CEO).

Mette Rosenkilde
Ph.D., M.D
Board member and co-founder, independent

First elected to the Board in 2019,
Danish nationality

Profile and special competencies
+20 years of research within molecular and translational pharmacology at Copenhagen University Faculty of Health and Medicinal Sciences, co-founder of several biotech companies.

Current positions
Bainan Biotech (C), Women in LifeScience Denmark (B). Professor in Translational Pharmacology, University of Copenhagen.

Magnus Persson
M.D., Ph.D., Associate Professor
Board member, Independent

First elected to the Board in 2021,
Swedish nationality

Profile and special competencies
+25 years of international experience from leadership in Life Science innovation, development and financing. Has built investment funds in Sweden and abroad with a focus on medical projects, particularly as Partner at HealthCap in Sweden from inception and later as Managing Partner in San Francisco based The Column Group.

Current positions
Eir ventures Partners AB (C), Eir Ventures I AB (C), Attgeno AB (C), Initiator Pharma AS (C), Strike Pharma AB (B), One-Carbon Therapeutics AB (C).

(C) = Chair of the Board; (B) = Board member; (CEO) = Chief Executive Officer

Board of directors

Mads Aage Laustsen

Board member, independent

First elected to the Board in 2018,
Danish nationality

Profile and special competencies
+30 years' experience in biologics development and manufacturing. Co-founder and former CEO of CMC Biologics (now AGC Biologics), former CMO of Symphogen and co-founder of Bactolife.

Current positions
Mr Bioinvest (CEO), Nanoform Finland Oyj (B), VenomAid Diagnostics ApS (B), Filippa Invest (B)

Christine Flarup Møller-Jensen
M.Sc. in Chemical Engineering
Board member, Independent

First elected to the Board in 2022,
Danish nationality

Profile and special competencies
End-to-end understanding of the biotech and medtech value chain and broad knowledge of pharmaceutical and business ethics regulations. Member of DTU Advisory board and subsequently Board of Representatives from 2008 to 2014.

Current positions
Senior Vice President at Novo Nordisk

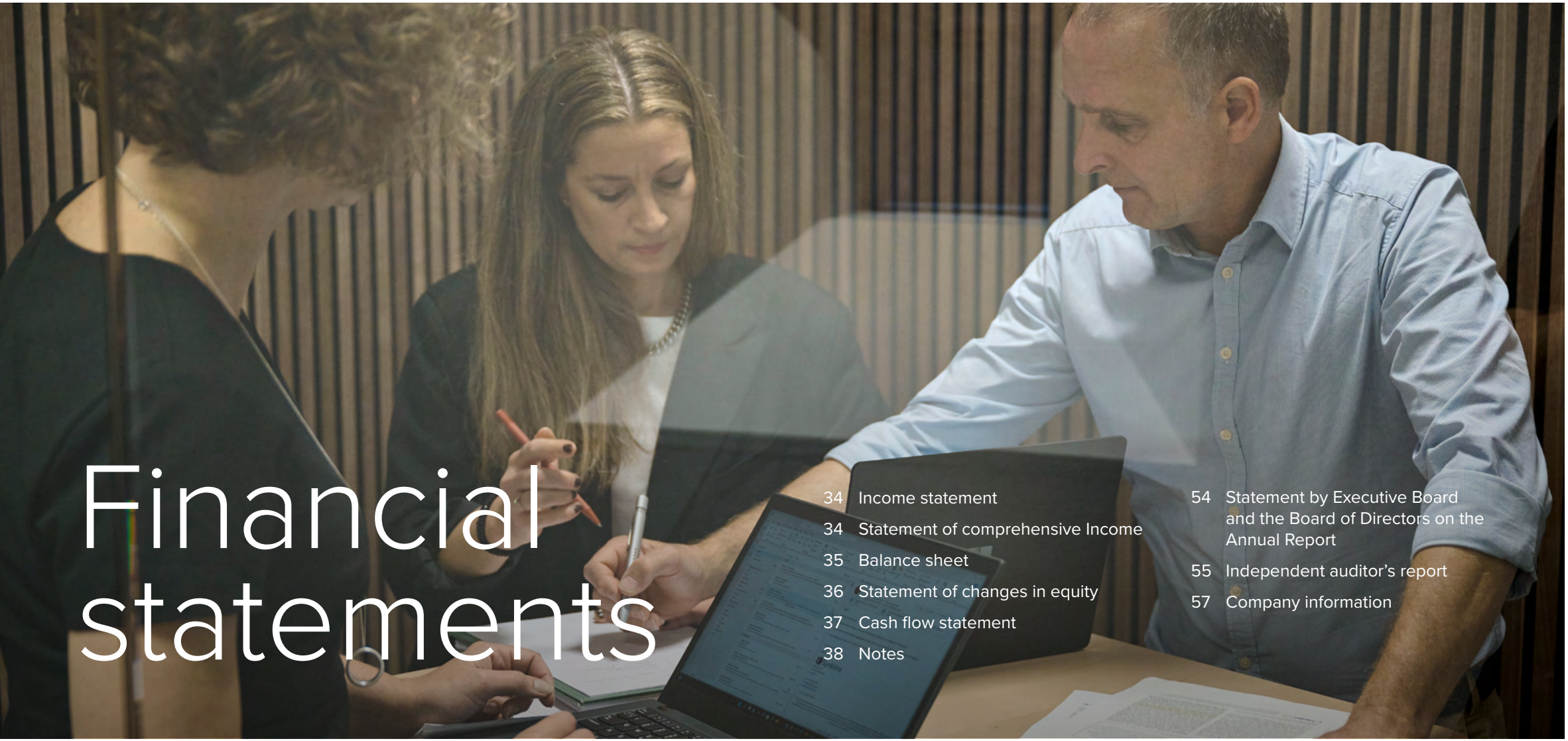
Mads Lacoppidan
M.Sc. in Marketing and Economics
Board member, Independent

First elected to the Board in 2022,
Danish nationality

Profile and special competencies
Specialised in medtech companies. An experienced Digital Health Investor leading some of the Nordics largest capital rounds (amongst other in Corti and Dawn Health).

Current positions
Partner at Danmarks Eksport- og Investeringsfond Reform, Dawn Health A/S (B), Corti ApS (B), Reform Group Holding (B), KUBO Robotics ApS (B), and NewBanking ApS (B).

(C) = Chair of the Board; (B) = Board member; (CEO) = Chief Executive Officer



Financial statements

Income statement

T.DKK	Notes	2022	2021
Employee costs	4, 5, 22	(17,467)	(4,953)
Depreciation of property, plant and equipment and right of use assets	10, 13	(362)	(14)
Other external expenses	5	(42,421)	(6,741)
Operating profit/loss		**(60,250)**	**(11,708)**
Financial income	6	258	0
Financial expenses	7	(3,057)	(975)
Profit/loss before tax		**(63,049)**	**(12,683)**
Income tax	8, 11	5,500	1,861
Profit/loss for the year		**(57,549)**	**(10,822)**

Statement of comprehensive income

T.DKK	Notes	2022	2021
Profit/loss for the year		(57,549)	(10,822)
Total comprehensive income for the period		**(57,549)**	**(10,822)**

Balance sheet

Assets

T.DKK	Notes	31 December 2022	31 December 2021
Property, plant and equipment	10	1,076	25
Right of use asset	13	1,086	0
Deposit		346	0
Total non-current assets		**2,508**	**25**
Income tax receivables	8	5,500	1,861
Prepayments		3,200	230
Other receivables		1,611	2,046
Bonds	9	100,235	0
Cash and cash equivalents		58,658	100,539
Total current assets		**169,204**	**104,676**
Total assets		**171,712**	**104,701**

Liabilities

T.DKK	Notes	31 December 2022	31 December 2021
Share capital	14	680	400
Reserves		145,066	88,443
Total equity		**145,746**	**88,843**
Borrowings	12, 15	15,816	13,309
Lease liability	13, 15	452	0
Total non-current liabilities		**16,268**	**13,309**
Lease liability	13, 15	645	0
Trade payables	15	7,925	1,350
Other payables	15	1,128	1,199
Total current liabilities		**9,698**	**2,549**
Total liabilities		**25,966**	**15,858**
Total equity and liabilities		**171,712**	**104,701**

Statement of changes in equity

T.DKK	Notes	Share capital	Reserves	Total equity
Equity at 1 January 2022		**400**	**88,443**	**88,843**
Total comprehensive income			(57,549)	(57,549)
Cash contribution	14	280	115,251	115,531
Cost directly related to cash contribution			(6,618)	(6,618)
Share-based payments	22		5,539	5,539
Equity at 31 December 2022		**680**	**145,066**	**145,746**
Equity at 1 January 2021		**59**	**(12,559)**	**(12,500)**
Total comprehensive income		0	(10,822)	(10,822)
Conversion of B-shares to A-shares		2	0	2
Debt conversion	12, 14	22	11,750	11,772
Cash contribution	14	195	106,267	106,462
Cost directly related to cash contribution		0	(6,071)	(6,071)
Issue of bonus shares		122	(122)	0
Equity at 31 December 2021		**400**	**88,443**	**88,843**

Cash flow statement

T.DKK	Notes	2022	2021
Profit/loss for the year		(57,549)	(10,822)
Changes in net working capital	21	3,622	(2,060)
Adjustments	21	2,699	(1,106)
Income taxes received		1,861	1,438
Net cash flow from operating activities		**(49,367)**	**(12,550)**
Purchase of property, plant and equipment	10	(1,196)	(36)
Purchase of bonds	9	(100,000)	0
Net cash flow from investing activities		**(101,196)**	**(36)**
Proceeds from share issues, net	14	108,913	100,394
Installments on lease liabilities		(231)	0
Cash flow from financing activities		**108,682**	**100,394**
Net cash flow for the year		**(41,881)**	**87,808**
Cash and cash equivalents, beginning of the year		100,539	12,731
Cash and cash equivalents at end of the year		**58,658**	**100,539**

Notes

Notes

Note 1 – Accounting policies

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional Danish disclosure requirements applying to entities of reporting class B for small enterprises with optional inclusion of some requirements in class C.

The annual report has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value.

Foreign currency translation
Functional and presentation currency
Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Company's functional currency is DKK. The presentation currency is also DKK and amounts are presented in thousands DKK (T.DKK), except when otherwise stated.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement.

Employee costs
Employee costs comprise salaries and wages, including holiday pay and pensions and other costs for social security, etc. for the Company's employees.

Other external expenses
Other external expenses consist of cost to consultants, advisors and office related expenses etc.

Reseach and development cost
Research and development expenses include wages and salaries, external research and development expenses, expenses relating to obtaining and maintaining patents etc.

The research and development activities are comprised of clinical-enabling activities for product candidates. In line with industry practice, internal and subcontracted development costs are expensed as they are incurred. Due to significant regulatory uncertainties and other uncertainties inherent in the development of new products, development expenses do not qualify for capitalisation as intangible assets until marketing approval by a regulatory authority is obtained or considered highly probable.

Financial income and expenses
Financial income and expenses are recognised in the income statements at the amounts that relate to the financial year. Net financials include interest income and expenses, changes of fair value of embedded derivatives etc.

Income tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Research and development tax credit related to the tax value of certain research and development expenses are considerd part of income taxes.

Share-based payments
Share-based payments are provided to the participants of the Company's warrant program. Information relating to this plan is set out in note 22.

Notes

Note 1 – Accounting policies (continued)

The employee costs of the warrants granted under the program is recognised in the income statement with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the warrants granted.

The total cost is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The warrants vest in portions (or tranches), which results in the recognition of a higher proportion of the costs in the early years of the overall program.

Because all unvested warrants will become fully vested upon the occurrence of an exit event (IPO excluded in the definition), the Company revises its estimate of the length of the expected vesting period until the actual outcome is known. Upon a change in estimate, the Company adjusts the recognised share-based payment cost on a cumulative basis in the period in which the estimate is revised.

Property, plant and equipment
Property, plant and equipment is measured at historical cost less accumulated depreciation. The cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciations are calculated using the straight-line method, net of their residual values over their estimated useful lives, as follows:

Other plant, fixtures and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement as other operating income/expenses.

Leases
Leases include office and laboratory facilities.

Right-of-use assets
Right-of-use assets are initially measured at cost, which comprises the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. Depreciation is recognised in profit or loss. Right-of-use assets are presented as part of property, plant and equipment.

Lease liabilities
Lease liabilities are recognised at the present value of future payments in accordance with the lease agreements and include the present value of future payments relating to reasonably certain extensions. Interest on the lease liabilities is calculated using Synklino's incremental borrowing rate and recognised under financial income or financial expenses. The lease liabilities are reduced by any instalments paid to the lessor.

Synklino uses the same incremental borrowing rate for lease agreements with similar characteristics.

Changes to lease agreements after initial recognition are accounted for either as a modification to an existing agreement, a separate agreement or a partial disposal depending on the nature of the change. Changes will result in changes to both the lease liability and the right-of-use asset.

Short-term leases and leases of low-value assets
Short-term leases are recognised on a straight-line basis as an expense in profit or loss under the line item Other external expenses. Short-term leases are leases with a lease term of 12 months or less. The Company has no leases of low-value assets.

Cash flows
In the statement of cash flows, cash payments for the principal portion of the lease liabilities and related cash payments for the interest portion are classified within the financing activities. For short-term leases or leases of low-value assets, the lease payments are classified within the operating activities.

Notes

Note 1 – Accounting policies (continued)

Impairment of non-current assets
Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Prepayments
Prepayments recognised as an asset comprise prepaid expenses regarding subsequent financial reporting years.

Other receivables
Other receivables consist of VAT etc. and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Bonds
Bonds consist of Danish listed mortgages bonds. Bonds are measured at amortised cost using the effective interest method as the contractual cashflows are solely principal and interest and the objective of the Company's business model is achieved by collecting contractual cash flows.

Cash and cash equivalents
Cash and cash equivalents comprises cash and bank balances.

Equity
Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium
Premium on issue of shares are recognised as part of reserves.

Borrowings
Loan agreements under which the company does not have an unconditional right to avoid repayment in cash or where the Company has an obligation to deliver a variable number of its own equity instruments are classified as financial liabilities. Financial liabilities are initially measured at fair value which is generally equal to the proceeds obtained. Non closely related embedded derivatives are separated from the host liability contract and measured at fair value through the income statement. The difference between the fair value of the financial liability and the initial fair value of the non closely related embedded derivatives is considered the initial carrying amount of the liability host contract. Transaction costs are allocated proportionately between the non closely related embedded derivatives and the host liability. The difference between the initial amount allocated to the liability host contract less transaction costs and the principal is amortised under the effective interest method as part of interest expense over the term of the loan.

The Company has loans with the following non closely related embedded derivatives: conversion discount subject to certain events occurring and exit payement depending on either the return obtained by the equity investors or the proceeds raised. See further details in the note for Borrowings.

Fair value of the embedded derivatives is determined based on option pricing models and assessment of the likelihood of an event qualifying for conversion at a discount or an exit taking place.

Other financial liabilities
Other financial liabilities, including trade and other payables, are on initial recognition measured at fair value. The liabilities are subsequently measured at amortised cost.

Cash flow statement
The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, changes in fair value of embedded derivatives etc. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Notes

Note 1 – Accounting policies (continued)

Cash flows from investing activities comprise cash flows from acquisitions and disposals of property, plant and equipment and bonds.

Cash flows from financing activities comprise cash flows from the raising and repayment of long term debt as well as payments to and from shareholders.

New and amended standards adopted by the Company
The Company has adopted standards and interpretations effective as of 1 January 2022. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted
Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by Synklino. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2 – Significant accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Companys's accounting policies.

The judgements, estimates and the related assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most significant judgements and estimates, including the assumptions, for the individual items are described below.

Significant accounting estimates
Significant accounting estimates are expectations of the future based on assumptions, that to the extent possible are supported by historical trends or reasonable expectations. The assumptions may change to adapt to market conditions and changes in economic factors etc. The Company believes that the estimates are the most likely outcome of future events.

Borrowings
The borrowings issued by the Company comprise certain non closely related embedded derivatives which are measured at fair value. None of the significant inputs applied are observable and consequently represent level 3 measurements in the fair value hierarchy.

The assumptions to which the fair value of the embedded derivatives is most sensitive to is stated in note 12.

Reasonably possible alternative assumptions could have resulted in significantly different fair values.

Warrants
Warrants are valued at fair value at grant date which subsequently is recognised as cost in the income statement with a corresponding increase in equity. The fair value measurement is based on a Black-Scholes option pricing model and the significant inputs applied in the model are not observable, herunder the share price of Synklino.

Reasonable alternative assumptions could have resulted in significantly different values. See further details in note 22.

Significant accounting judgements
Key accounting judgements are made when applying accounting policies. Key accounting judgements are the judgements made by the Company that can have a significant impact on the amounts recognised in the financial statements.

Development costs
As the company is involved in developing a new drug it incur significant research and development costs. There is no definitive starting point for capitalising such internal development costs. Management must use its judgement, based on the facts and circumstances of each project. The release of a new drug is strictly controlled by legislation and has to pass a number of clinical trials before it can obtain a marketing approval. As the company has not received regulatory authority for final approval of the drug it is management's judgement that the company has not yet finally proved technical feasibility of the product and therefore development costs are not capitalised.

Notes

Note 3 – Primary activities

The activities of Synklino are focused on research and development to develop groundbreaking therapies for treatment of patients with chronic viral infections. Synklino's first-in-class drug candidate SYN002 specifically targets cytomegalovirus infection in transplantation patients and aims to change the current antiviral treatment paradigm by providing radically different therapeutic opportunities and a path for transplant recipients to live a full life again. SYN002 is currently in the preclinical phase of development where activities are focused on preclinical studies and manufacturing of SYN002 drug product.

Note 4 – Employee costs

T.DKK	2022	2021
Wages and salaries	11,488	4,802
Share-based payment	5,539	0
Other social security costs	86	61
Other employee cost	354	90
Total	**17,467**	**4,953**
Average number of employees	10	5

Key Management Compensation
Key Management consists of the Executive Board, Other Management and the Board of Directors. The compensation paid or payables to Key Management for employee services is:

T.DKK	2022	2021
Executive Board:		
Wages and salaries	1,622	1,321
Share-based payments	2,313	0
Total	**3,935**	**1,321**
Other Management:		
Wages and salaries*	4,780	2,312
Share-based payments	1,496	0
Total	**6,276**	**2,312**
Board of Directors:		
Board fee	735	251
Share-based payments	1,219	0
Total	**1,954**	**251**
Total compensation of key management personnel	**12,165**	**3,884**

* Other Management includes consultants providing similar services as Key Management members. Fees for such consultants are discloused as other external costs.

Notes

Note 5 – Research and development cost

T.DKK	2022	2021
Research and development cost recognised under other external expenses and employee cost	44,743	8,403

Note 6 – Financial income

T.DKK	2022	2021
Foreign exchange rate gains	23	0
Interest on bonds measured at amortised cost	235	0
	258	**0**

Note 7 – Financial expenses

T.DKK	2022	2021
Changes in fair value of embedded derivatives	2,143	(1,149)
Interest on financial liabilities measured at amortised cost	721	2,066
Foreign exchange rate loss	189	21
Other financial expenses	4	37
	3,057	**975**

Note 8 – Tax on profit for the year

T.DKK	2022	2021
Current tax		
Current tax:		
Current tax on profits for the year	(5,500)	(1,861)
	(5,500)	**(1,861)**

T.DKK	2022	2021
Calculated 22.0% tax on loss for the year before income tax	**(13,871)**	**(2,790)**
Tax effects of:		
Research and development tax credit	(5,500)	(1,861)
Permarnent differences between tax and accounting purposes	995	543
Temporary differences between tax and accounting purposes	(24)	42
Tax losses carried forward, not capitalised	(9,342)	(1,514)
	(13,871)	**(2,790)**
Effective tax rate	**9%**	**15%**

Research and development tax credit relates to the tax value of certain research and development expenses incurred by Synklino A/S that are receivable according to the Danish tax legislation.

The tax value of loss carry-forward is not recognised as a deferred tax asset as the use of the tax loss carry-forward is highly uncertain.

Notes

Note 9 – Bonds

T.DKK	2022	2021
Cost 1 January	0	0
Additions	100,000	0
Interest	235	0
Cost 31 December	**100,235**	**0**
Fair value 31 December	**98,389**	**0**

Potential adjustments in fair value of bonds at a given balance sheet date are not expected to have a negative impact on the company's cash position since the bonds are expected to be held to maturity.

Note 10 – Property, plant and equipment

T.DKK	It hardware	Laboratory equiptment	Office fixtures	Total
Cost:				
At 1 January 2022	**48**	**0**	**0**	**48**
Additions	508	426	262	1,196
At 31 December 2022	**556**	**426**	**262**	**1,244**
Accumulated depreciation				
At 1 January 2022	**23**	**0**	**0**	**23**
Depreciation for the year	77	48	20	145
At 31 December 2022	**100**	**48**	**20**	**168**
Carrying amount 31 December 2022	**456**	**378**	**242**	**1,076**

T.DKK	It hardware	Laboratory equiptment	Office fixtures	Total
Cost:				
At 1 January 2021	**12**	**0**	**0**	**12**
Additions	36	0	0	36
At 31 December 2021	**48**	**0**	**0**	**48**
Accumulated depreciation				
At 1 January 2021	**9**	**0**	**0**	**9**
Depreciation for the year	14	0	0	14
At 31 December 2021	**23**	**0**	**0**	**23**
Carrying amount 31 December 2021	**25**	**0**	**0**	**25**

Notes

Note 11 – Deferred tax

At 31 December 2022, the Company had tax loss carry-forwards in Denmark of T.DKK 54,942 (2021: T.DKK 12,352) for income tax purposes, all of which can be carried forward indifinitely according to the Danish Corporate Income Tax Act. The tax loss carry-forward is not recognised as a deferred tax asset as the use of the tax loss carry-forward is highly uncertain.

Note 12 – Borrowings

T.DKK	2022	2021
Borrowings 1 January	13,309	24,339
Interest recognised as financial expense	365	1,890
Converted to equity	0	(11,772)
Fair value adjustment of embedded derivative recognised as financial expense*	2,142	(1,148)
Borrowings at 31 December	**15,816**	**13,309**

* The conversion of loan 1 (cf. below) in 2021 resultated in a gain on the host contract which have character of a transfer to embedded derivatives and therefore have been netted in fair value ajustment of embedded derivatives.

The calculated value of embedded derivatives included in borrowings amount to T.DKK 9,324 (2021: T.DKK 7,182)
In 2021 loan 1,2 and 3 was converted to equity, see further details in note 14.

Significant loan terms related to Loan 1

- Tranche I was issued in July 2019 and tranche II was issued in February 2020 and with a total principal amount of T.DKK 9,667.
- Maturity 36 months after the issuance of tranche II.
- Interest coupon 5.0 % p.a. accruing over the term of the loan.
- Loan currency DKK.
- Lender conversion option if a capital increase in excess of 2 million EUR (qualified investment) takes place before maturity. The conversion will include the full loan amount, but the lender receives shares corresponding to 1/3 of the loan amount. The conversion price corresponds to the average share price for the investors participating in the qualified investment. The lender will at the same time be entiled to an exit payment of two times (2x) the loan if the shareholders exit proceeds exceeds 50 million EUR and 2/3 of the loan if the shareholders exit proceeds does not exceed 50 million EUR.
- Lender conversion option if a qualified investment does not take place before maturity of the loan. The conversion will include the full loan amount, but the lender receives shares corresponding to 1/3 of the loan amount. The conversion price corresponds to the market price of the company to be determined by the company and the lender. The lender will at the same time be entitled to an exit payment of two times (2x) the loan if the shareholders exit proceeds exceeds 50 million EUR and 2/3 of the loan if the shareholders exit proceeds does not exceed 50 million EUR.
- An exit is defined as one or more events which of lender is dermined altogether or seperately to entail that materialy all of the value of the Company is realiased in consideration of cash, herunder an IPO.

Notes

Note 12 – Borrowings (continued)

Significant loan terms related to Loans 2 and 3

- Issued in September 2020 and with a principal amount of T.DKK 3,000 of each of the loans.
- Maturity 36 months after the issuance.
- Interest coupon 8.0-10.0 % p.a. accruing over the term of the loans.
- Loan currency DKK.
- Lender conversion option if a capital increase in excess of 20 million DKK (qualified investment) takes place before maturity. The conversion price corresponds to the lower of the average share price for the investors participating in the qualified investment less 20 pct. (conversion price 1) or a value maximum of 56 million DKK divided by the fully diluted share capital before the qualified investment (conversion price 2).
- Lenders conversion option if an exit takes place before maturity. The conversion price will be conversion price 2. As an alternative to conversion if an exit takes place the lender has the right to repayment of 2 times the principal.
- Lender conversion option at maturity date. The conversion price corresponds to the minimum of conversion price 2 and the share price at the latest capital increase of at least 500,000 DKK.

Significant loan terms related to Loan 4

- Issued in December 2020 and with a principal amount of T.DKK 6,000.
- Maturity 1 January 2027 (with quarterly annuity payments starting from 1 January 2024).
- Interest coupon is 5% plus CIBOR p.a. accruing over the term of the loan.
- Loan currency DKK.
- Embedded bonus payment to lender of 6 million DKK if a Founder's or Investor's (the equity investor in connection with the loan agreement) shares in Synklino are sold for a proceeds per share, which is more than four times (4x) as high as the share price in connection with the Investor's original equity investment.

	2022	2021
Significant assumptions related to the valuation of the embedded derivatives		
Probability of exit proceeds exceeding 50 million EUR (Loan 1)*	51%	5%
Probability of no exit due to failure in reaching phase 2 in the development activites (Loan 1)**	29%	N/A
Discount rate (Loan 1)***	10%	10%
Sensitivity to changes in fair value of the embedded derivative in T.DKK		
Increase in probability of exit proceeds exceeds 50 million EUR with 5 % points (Loan 1)	737	528
Increase in probability of no exit due to failure in reaching phase 2 in development activities with 5% points (Loan 1)	(594)	N/A
Increase in discount rate with 1 % points (Loan 1)	(256)	N/A

* For calculation purpose it is assumed that exit will take place in 2025 or 2027 through an IPO.

** The failure rate is in accordance with the rates for infection deseases from the report "Clinical Development Success Rate 2006-2015" prepared by Biotechnology Innovation Organization, Biomedtracker and Amplion.

*** Discount rate in accordance with survey of median rate for large biotech companies referenced in the article "Valuing Pharmaceuical Assets: When to Use NPV vs rNPV" from Alacrita Biotech Consultancy Company.

Notes

Note 13 – Leases

The statement of profit or loss shows the following amounts relating to leases:

T.DKK	2022	2021
Expense relating to short-term leases (included in other operating expenses)	196	384
Depreciation of right-of-use assets, buildings	217	0
Interest expenses relating to lease liabilities	25	0
Total	**438**	**384**

T.DKK	2022	2021
Additions	1,303	0
Cost 31 December	**1,303**	**0**
Depreciation for the year	217	0
Depreciation 31 December	**217**	**0**
Carrying amount at 31 December	**1,086**	**0**

The total cash outflow from recognised lease agreements amounted to T.DKK 426 (T.DKK 384 in 2021) and includes repayment of lease liabilities, interest and payments relating to short term leases.

The maturity analysis of lease liabilities is provided in the table ”Maturity analysis” in note 15 Financial risk management.

Note 14 – Share capital

	2022		2021	
DKK	Number of shares	Nominal value	Number of shares	Nominal value
The share capital comprises				
A shares	68,011,686	680,117	40,000,000	400,000
Share capital (fully paid)	**68,011,686**	**680,117**	**40,000,000**	**400,000**

All shares have nominal value of DKK 0.01.

2022: The share capital has been increased through a cash contribution of DKK 280,117 at a share price of DKK 4.1244 per share of DKK 0.01 corressponding to T.DKK 115,531. Costs directly related to cash contribution amount to T.DKK 6,618.

2021: The share capital has been increased with DKK 1,557 as part of conversion of B-shares to A-shares. The share capital has furthermore been increased through a debt conversion of DKK 15,077 and DKK 6,521, at a share price of DKK 4.36 per share of DKK 0.01 and DKK 5.45 per share of DKK 0.01 respectively, corresponding to an increase in equity of T.DKK 11,772. Further the share capital has been increased through a cash contribution of DKK 195,353 at a share price of DKK 5.45 per share of DKK 0.01 corressponding to T.DKK 106,462. Finaly the share capital has been increase with DKK 122,074 by issue of bonus shares. Costs directly related to cash contribution amount to T.DKK 6,071.

DKK	2022	2021
Changes in share capital		
Opening balance	400,000	59,418
Conversion of B-shares to A-shares	0	1,557
Debt conversion	0	21,598
Cash contribution	280,117	195,353
Issue of bonus shares	0	122,074
Closing balance	**680,117**	**400,000**

Notes

Note 15 – Financial risk management

The Company is exposed to a variety of financial risks from its operations.

These risks are monitored through a financial forecast that gives management the forward visibility into cash flow expectations relative to obligations. The company primarily have currency exposures in EUR and DKK and borrowings with floating interest rates. The Company has not entered into any derivative financial instruments to hedge its exposure from changes in financial risk or interest rate risk.

There has been no change in the Group's financial risk management policies compared to last year.

Interest rate risk
As the Company's bonds have a fixed interest rate, the interest income is not affected by changes in the market interest rates. Instead the fair value of the bonds is affected.

As the Company's borrowings (loan 4) has a variable interest linked to CIBOR and hence the interest expense is affected by the development in the market interest rate. For details related to borrowings, see note 12.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a balance sheet exposure will fluctuate because of changes in foreign exchange rates. As the Company only has significant exposures in DKK and EUR management consider the risk of changes in foreign currency as insignificant.

Credit risk
Credit risk arises from cash and cash equivalents with banks and investments in bonds in mortgages institutions.

To mitigate this risk, it is the Company's policy only to use banks and mortgages institutions of high quality. To assess the credit risk of these banks and mortgages institutions, the company monitors their credit rating made by external credit rating agencies.

Liquidity risk
Management maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Management continuously monitors the company's liquidity reserve on the basis of expected cash flows. For further details on the Company's current liquidity position see note 16: Liquidity and capital management.

Market risks related to embedded derivatives are disclosed in note 12: Borrowings.

Maturity analysis.
The tables below illustrates the terms to maturity of financial assets and liabilities disclosed by category.

The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments).

T.DKK	Less than 1 year	Between 1 and 3 year	More than 3 years	Total
As at 31 December 2022				
Financial assets at amortised cost				
Cash and cash equivalents	58,658	0	0	58,658
Bonds	70,083	30,152	0	100,235
Other receivables	1,611	0	0	1,611
	130,352	**30,152**	**0**	**160,504**
Financial liabilities at amortised cost*				
Borrowings	16,293	0	0	16,293
Lease liability	693	462	0	1,155
Trade payables	7,925	0	0	7,925
Other payables	1,128	0	0	1,128
	26,039	**462**	**0**	**26,501**

* Borrowings include the potential payments related to embedded derivatives.

Notes

Note 15 – Financial risk management (continued)

T.DKK	Less than 1 year	Between 1 and 3 year	More than 3 years	Total
As at 31 December 2021				
Financial assets at amortised cost				
Cash and cash equivalents	100,539	0	0	100,539
Other receivables	2,046	0	0	2,046
	102,585	**0**	**0**	**102,585**
Financial liabilities at amortised cost				
Borrowings*	13,818	0	0	13,818
Trade payables	1,350	0	0	1,350
Other payables	1,199	0	0	1,199
	16,367	**0**	**0**	**16,367**

* Borrowings include the potential payments related to embedded derivatives.

Measurement and fair value hierarchy.
As borrowings have a variable interest rate the fair value approximates the carrying amount. For embedded derivatives included in borrowings none of the significant inputs applied in calculating the fair value are observable and consequently represent level 3 measurements in the fair value hierarchy, see note 12. The fair value of bonds is based on listed prices (level 1), see note 9. Due to the short term nature of the Company's other financial instruments, the fair value approximates the carrying amount.

Note 16 – Liquidity and capital management

The Company is up to the present financed through a combination of equity and debt with embedded derivatives related to exit payment. The exit payment depends on either the return obtained by the equity investors or the proceeds raised.

Based on the capital increase performed in November 2021 and June 2022, the Company is sufficiently capitalised to fund the planned activities into 2024.

The Company expects that additional funding will be needed at the latest in 2024 to fund the company's operation and further develop its lead compound SYN002. The additional financing may be raised in relation to a public listing (IPO), through a private placement to new or existing shareholders, or through non-dilutive funding from collaboration agreements.

Note 17 – Commitments and contingent liabilities

Contingent liabilities
None

Commitments

The Company has one lease contract in relation to office facilities. The future lease payments for the non-cancellable lease period are T. DKK 1.155 (2021: 58 T.DKK). The lease contract can be terminated with 6 months notice however with earliest termination with effect August 31, 2024.

Notes

Note 18 – Fee to auditors appointed at the general meeting

T.DKK	2022	2021
Statutory audit	140	94
Other assurance services	0	109
Tax consultancy	110	12
Other services	231	220
	481	**435**

The fee for other service performed by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab comprises assistance with accounting and other advisory services.

Note 19 – Related parties

The Company does not have any shareholders with a controlling interest.

Transactions with board and key management personnel
Information about the Board of Directors and Key Management's remuneration including warrants has been disclosed in note 4 and note 22 respectively.

2022: In 2022 Other Management subscriped 26,409 shares at an average price of DKK 4.1244 corresponding to a total purchase price of T.DKK 109 as part of the capital contribution cf. note 14.

2021: In 2021 members of the Board of Directors subscriped 1,426,101 shares at a price of DKK 3,79 corresponding to a total purchase price of T.DKK 5,400 and further a subscription of 224,088 shares at a price of DKK 0.01 corresponding to a total purchase price of T.DKK 2 and the Executive board purchased subsequently 13,205 shares at an average price of DKK 3.79 corresponing to a total purchase price of T.DKK 50 as part of the capital contribution cf. note 14.

	2022	2021
Executive board, number of shares in the Company	2,891,666	2,891,666
Other Management, number of shares in the Company	79,227	52,818
Board of directors, number of shares in the Company	5,376,213	5,376,213

The following transactions were carried throug with related parties:

	2022	2021
Subscriptions of shares from significant shareholders in DKK	23,500,002	27,823,922

Notes

Note 20 – Events after the balance sheet date

No significant events have occurred between the reporting date and the publication of this annual report, which have not already been included and adequately disclosed in the annual report, and which materially affect the assessment of the Company's results of operations or financial position.

Note 21 – Cash flow specifications

T.DKK	2022	2021
Changes to net working capital		
Decrease/(increase) in other receivables/deposit	89	(1,742)
Decrease/(increase) in prepayments	(2,970)	(223)
(Decrease)/increase in trade payables	6,575	(52)
(Decrease)/increase in other liabilities	(72)	(43)
	3,622	**(2,060)**

T.DKK	2022	2021
Adjustments		
Income tax	(5,500)	(1,861)
Depreciations of tangible assets and right-of-use assets	362	14
Share-based payment	5,539	0
Changes in fair value of embedded derivatives	2,143	(1,149)
Interest on financial liabilities measured at amortised cost	365	1,890
Interest on bonds measured at amortised cost	(235)	0
Interest on lease liabilities measured at amortised cost	25	0
	2,699	**(1,106)**

Note 22 – Share-based payments

Warrant program
At the extraordinary general meeting 29 September 2021, the board of directors was authorised to pass a resolution on the issuance of warrants corresponding to nominally DKK 44,444.44.

The established warrant program is designed to provide long-term incentives for participants (including management, board members and full-time employees) to deliver long-term shareholder returns. Further, the program is to be instrumental to retaining the participants in the Company.

A warrant entails the right to subscribe for one ordinary share of nominal DKK 0.01.

Under the program, participants are granted warrants which vest proportionally over three years. For board members, the warrants vest in 4 equally large portions on dates specified by the board. For all other participants, the warrants vest proportionally each month over the three years (i.e. 1/36 per month).

Vesting of the warrants is conditional on the participants' ongoing employment with the Company. If a participant ceases employment prior to two years of employment, all vested and non-vested warrants will lapse and become null.

Upon the occurrence of an exit event (IPO excluded in the definition), all unvested warrants will become fully vested.

The participants have the right to exercise vested warrants twice a year. However, the participant cannot exercise less than one third of the total number of granted warrants at a time and may first exercise 12 months after the grant date.

All warrants were granted on 15 March 2022. Warrants have been granted to Management, Board members and external consultants providing similar services as key Management members.

The total warrant expense recognised in 2022 was T.DKK 5,539 (2021: T.DKK 0) .

Notes

Note 22 – Share-based payments (continued)

Fair value measurement
The fair value at grant date is determined using a Black-Scholes Model calculation that takes into account the share price at grant date, the exercise price, the risk free interest rate for the term of the warrants, the expected volatility and the expected maturity.

The model inputs for the warrants granted during the year ended included the following:

Share price at grant date	DKK 3.78
Exercise price	DKK 3.78 for 3,585,903 of the granted warrants, and DKK 1.52 for 117,208 of the granted warrants.
Risk free interest rate	0.30%
Expected volatility	87.5%
Expected maturity	5.54 years

The expected price volatility is based on an analysis of the historical volatility of peer-group companies and factors specific to the Company.

The share price is determined by reference to a financing round in November 2021. Management has assessed that no significant developments in the Company took place between November 2021 and 15 March 2022 that could have impacted the value of the Company significantly.

Set out below are summaries of warrants granted under the program:

	Management	Board members	Full-time employees	Total number of warrants
Warrants as at 1 January 2022	**-**	**-**	**-**	**-**
Granted	2,467,555	888,889	346,667	3,703,111
Lapsed	0	0	(7,654)	(7,654)
Warrants as at 31 December 2022	**2,467,555**	**888,889**	**339,013**	**3,695,457**

	Weighted-average exercise prices	Weighted-average fair value per warrant granted	Weighted-average years to maturity for warrants outstanding	Range of exercise prices for warrants outstanding	
				Low	high
Warrants as at 1 January 2022					
Granted	3.71	2.65			
Lapsed	3.78				
Warrants as at 31 December 2022	**3.71**		**8.75**	**1.52**	**3.78**

Statement by Executive Board and the Board of Directors on the Annual Report

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Synklino A/S for the financial year 1 January – 31 December 2022.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2022.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 23 March 2023

Executive Board

Thomas Nitschke Kledal

Board of Directors

John Sørensen Haurum (chair)

Christine Flarup Møller-Jensen

Gunnar Magnus Severus Modée Persson

Mads Aage Laustsen

Mads Lacoppidan

Mette Marie Rosenkilde

Morten Schrøder

Thomas Feldthus

Independent auditor's report

To the Shareholders of Synklino A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements for the financial year 1 January - 31 December 2022, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("financial statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, indi-

vidually 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- 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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Copenhagen 23 March 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
mne18651

André Nielsen
State Authorised Public Accountant
mne46624

Company information

Company
Frederiksborggade 1, second floor to the right
1360 Copenhagen K
Denmark

Central Business Registration No: 38 77 86 76
Registered in Copenhagen

Executive Board
Thomas Nitschke Kledal

Board of Directors
John Sørensen Haurum (chairman)
Christine Flarup Møller-Jensen
Gunnar Magnus Severus Modée Persson
Mads Aage Lausten
Mads Lacoppidan
Mette Marie Rosenkilde
Morten Schrøder
Thomas Feldthus

Financial year
1 January - 31 December

Auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Synklino

Synklino A/S
Frederiksborggade 1, second floor to the right
1360 Copenhagen K
Denmark

Central Business Registration No: 38 77 86 76

synklino.com
VAT No: 38 77 86 76

Financial year
1 January - 31 December

Auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Design and production **Noted**