



iSD Immunotech ApS

Ole Maaløes Vej 3
2200 København N
CVR No. 30738276

Annual report 2022

The Annual General Meeting adopted the
annual report on 31.03.2023

Ingelise Saunders

Chairman of the General Meeting

Contents

| | |
|----------------------------------------------|----|
| Entity details | 2 |
| Statement by Management | 3 |
| Independent auditor's extended review report | 4 |
| Management commentary | 6 |
| Income statement for 2022 | 7 |
| Balance sheet at 31.12.2022 | 8 |
| Statement of changes in equity for 2022 | 10 |
| Notes | 11 |
| Accounting policies | 14 |

Entity details

Entity

iSD Immunotech ApS

Ole Maaløes Vej 3

2200 København N

Business Registration No.: 30738276

Registered office: København

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Ingelise Saunders, chairman

Hans van Eenennaam

Lars Jørgen Østergaard

Pieter Jeroen Bakker

Stephan Christgau

Executive Board

Gert Mads Bolwig, CEO

Claus Hansen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of iSD Immunotech ApS for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 31.03.2023

Executive Board

Gert Mads Bolwig
CEO

Claus Hansen

Board of Directors

Ingelise Saunders
chairman

Hans van Eenennaam

Lars Jørgen Østergaard

Pieter Jeroen Bakker

Stephan Christgau

Independent auditor's extended review report

To the shareholders of iSD Immunotech ApS

Conclusion

We have performed an extended review of the financial statements of iSD Immunotech ApS for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of Management and, if appropriate, of other entity

personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Statement on the management commentary

Management is responsible for the management commentary.

Our conclusion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 31.03.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jens Lauridsen

State Authorised Public Accountant
Identification No (MNE) mne34323

Management commentary

Primary activities

The Company's activity is to identify, develop and commercialise immunosuppressive peptides and proteins as well as all activities deemed related thereto by the Board of Directors.

Description of material changes in activities and finances

In 2022, the Company has developed iSD-017 further with a focus on pharmacological studies as well as several research collaborations to generate data to explore the potential of iSD-017 in different diseases.

The Company's main activity is to prepare the lead candidate, iSD-017 for further development. iSD-017 is planned to be part of a new treatment method for severe patients suffering from the disease SLE/Lupus and possibly later other autoimmune and autoinflammatory diseases.

The financial year 2022 generated a loss of DKK 1,057k, and the ability to attract capital via a direct investment made it possible for the Company to advance its development plans.

The financial performance for the period was as expected. The Company is in an early development phase and has limited possible profit-making activities.

In 2022, the operation of the Company's contractors and partners have still been impacted by the aftermath of the COVID-19 causing delays in our development plans.

Outlook

The company has successfully raised Seed capital to develop and finalize iSD-017 as the lead candidate. A number of activities has been planned for 2023. The company is fully funded for 2023 based on existing capital and loans i.e. Covid-19 loan from Vækstfonden.

Based on our data package and development plan the company remains optimistic as for being successful raising next round of capital or finding a strategic partner.

Research and development activities

The Company has decided to capitalise development costs as it is Management's opinion that the relating future amortization burden can be encompassed in future financial benefits. For more details, see note 6 to the financial statements.

Events after the balance sheet date

No events have occurred after the balance sheet date, which would influence the evaluation of this annual report.

Income statement for 2022

| | Notes | 2022 DKK | 2021 DKK |
|-------------------------------------------------|-------|--------------------|--------------------|
| Gross profit/loss | 2 | 564,960 | 167,658 |
| Staff costs | 3 | (1,970,775) | (1,285,554) |
| Operating profit/loss | | (1,405,815) | (1,117,896) |
| Other financial income | | 8,205 | 244 |
| Other financial expenses | | (263,608) | (205,344) |
| Profit/loss before tax | | (1,661,218) | (1,322,996) |
| Tax on profit/loss for the year | 4 | 604,216 | 562,865 |
| Profit/loss for the year | | (1,057,002) | (760,131) |
| Proposed distribution of profit and loss | | | |
| Retained earnings | | (1,057,002) | (760,131) |
| Proposed distribution of profit and loss | | (1,057,002) | (760,131) |

Balance sheet at 31.12.2022

Assets

| | Notes | 2022 DKK | 2021 DKK |
|----------------------------------|-------|-------------------|-------------------|
| Development projects in progress | 6 | 12,972,032 | 8,811,830 |
| Intangible assets | 5 | 12,972,032 | 8,811,830 |
| Fixed assets | | 12,972,032 | 8,811,830 |
| Other receivables | | 33,209 | 915,632 |
| Income tax receivable | 7 | 820,216 | 908,865 |
| Prepayments | | 7,680 | 29,925 |
| Receivables | | 861,105 | 1,854,422 |
| Cash | | 5,519,058 | 8,880,071 |
| Current assets | | 6,380,163 | 10,734,493 |
| Assets | | 19,352,195 | 19,546,323 |

Equity and liabilities

| | Notes | 2022 DKK | 2021 DKK |
|------------------------------------------------------------------|--------------|---------------------|---------------------|
| Contributed capital | 8 | 224,977 | 224,977 |
| Reserve for development expenditure | | 10,118,185 | 6,873,227 |
| Retained earnings | | 2,638,568 | 6,940,528 |
| Equity | | 12,981,730 | 14,038,732 |
| Deferred tax | | 905,000 | 689,000 |
| Provisions | | 905,000 | 689,000 |
| Subordinate loan capital | 9 | 1,191,016 | 873,600 |
| Debt to other credit institutions | | 1,635,190 | 1,550,142 |
| Non-current liabilities other than provisions | 10 | 2,826,206 | 2,423,742 |
| Current portion of non-current liabilities other than provisions | 10 | 0 | 250,000 |
| Convertible and dividend-yielding debt instruments | | 580,122 | 527,917 |
| Trade payables | | 354,238 | 230,449 |
| Other payables | | 86,885 | 90,128 |
| Deferred income | 11 | 1,618,014 | 1,296,355 |
| Current liabilities other than provisions | | 2,639,259 | 2,394,849 |
| Liabilities other than provisions | | 5,465,465 | 4,818,591 |
| Equity and liabilities | | 19,352,195 | 19,546,323 |
| Going concern | 1 | | |

Statement of changes in equity for 2022

| | Contributed capital DKK | Reserve for development expenditure DKK | Retained earnings DKK | Total DKK |
|---------------------------|-------------------------------|--------------------------------------------------|-----------------------------|-------------------|
| Equity beginning of year | 224,977 | 6,873,227 | 6,940,528 | 14,038,732 |
| Transfer to reserves | 0 | 3,244,958 | (3,244,958) | 0 |
| Profit/loss for the year | 0 | 0 | (1,057,002) | (1,057,002) |
| Equity end of year | 224,977 | 10,118,185 | 2,638,568 | 12,981,730 |

Notes

1 Going concern

The Company is an early stage Biotech development company and should therefore not be compared with a traditional operating company.

The company is fully funded through 2023 on the basis of the approved budget. Therefore, the financial statements are presented on a going concern assumption.

2 Gross profit/loss

Herein included "Own work capitalised" regarding development projects, which amounts to DKK 4.160k in 2022 and DKK 5.207k in 2021.

3 Staff costs

| | 2022 | 2021 |
|---------------------------------------|------------------|------------------|
| | DKK | DKK |
| Wages and salaries | 1,962,478 | 1,280,047 |
| Other social security costs | 8,297 | 5,507 |
| | 1,970,775 | 1,285,554 |
| Average number of full-time employees | 2 | 1 |

4 Tax on profit/loss for the year

| | 2022 | 2021 |
|------------------------|------------------|------------------|
| | DKK | DKK |
| Current tax | (820,216) | (908,865) |
| Change in deferred tax | 216,000 | 346,000 |
| | (604,216) | (562,865) |

5 Intangible assets

| | Development projects in progress |
|------------------------------------|-----------------------------------------|
| | DKK |
| Cost beginning of year | 8,811,830 |
| Additions | 4,160,202 |
| Cost end of year | 12,972,032 |
| Carrying amount end of year | 12,972,032 |

6 Development projects

The Company continued in 2022 with the development of its lead candidate, the peptide iSD-017 as novel first in class treatment for severe systemic lupus erythematosus (SLE).

Proof-of-Concept studies on the therapeutic effect of iSD-017 on ex vivo and in vivo models of SLE came out very positive and further extended the value and use of the peptide in a chronic autoimmune setting such as SLE.

Management see no impairment issues regarding the project.

7 Tax receivable

Tax receivable recognized in the balance sheet relates to the application of the tax credit scheme under LL58X of the equalization law, whereby the company is paid the tax value of tax losses arising from costs to research and development.

Based on the examination of the criteria for the application of the scheme, management is of the opinion that the company is entitled to apply the scheme and the recognition has been based on this assessment.

There may be a risk that the Tax Authorities considers that the conditions for applying the scheme are not met. In this case, subsequent financial years are adversely affected by the fact that corporate tax receivable is written down via the accounting item " Tax on the profit for the year " in the income statement.

8 Share capital

A share option scheme according to which a right to subscribe for up to 10,375 new shares (DKK 10,375) in the Company has been established. At 31.12.2022 all DKK 10,375 have been earned.

Warrants must be exercised no later than in connection with a sale of the Company.

A share option scheme according to which a right to subscribe for up to 14,624 new shares (DKK 14,624) in the Company has been established. At 31.12.2022 a total of DKK 2,080 have been earned.

Warrants must be exercised no later than by the end of December 2028.

9 Subordinate loan capital

The subordinate loan capital resigns for all the company's creditors.

The loans are charged with interest at 6% p.a. and are irrevocable by the creditor.

10 Non-current liabilities other than provisions

| | Due within 12 months 2021 DKK | Due after more than 12 months 2022 DKK |
|-----------------------------------|--------------------------------------------------|---------------------------------------------------------------|
| Subordinate loan capital | 250,000 | 1,191,016 |
| Debt to other credit institutions | 0 | 1,635,190 |
| | 250,000 | 2,826,206 |

11 Deferred income

Deferred income includes grants related to development project in progress. Deferred income is recognized in line with the depreciation of the associated development project.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year, but with a few reclassification in the presentation of the annual report in the comparative figures.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, external expenses, and own work capitalised.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, payables

and transactions in foreign currencies, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc.

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.