



IO Biotech ApS

Ole Maaløes Vej 3
2200 København N
CVR No. 36474483

Annual report 2021

The Annual General Meeting adopted the
annual report on 28.06.2022

Name:

Chairman of the General Meeting

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Entity details

Entity

IO Biotech ApS

Ole Maaløes Vej 3

2200 København N

Business Registration No.: 36474483

Registered office: København

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Peter Hirth, chairman

Christian Ellebæk Elling

Jack Bech Nielsen

Kathleen Sereda Glaub

Vanessa Malier

Priyanka Belawat

Executive Board

Mai-Britt Zocca

Auditors

EY Godkendt Revisionspartnerselskab

Dirch Passers Allé 36

2000 Frederiksberg

CVR No.: 30700228

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of IO Biotech ApS for the financial year 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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, 28.06.2022

Executive Board

Mai-Britt Zocca

Board of Directors

Peter Hirth
chairman

Christian Ellebæk Elling

Jack Bech Nielsen

Kathleen Sereda Glaub

Vanessa Malier

Priyanka Belawat

Independent auditor's report

To the shareholders of IO Biotech ApS

Opinion

We have audited the financial statements of IO Biotech ApS for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31.12.2021 and of the results of the Company's operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 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 as to 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 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting 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 note 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.

Statement on the management commentary

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Copenhagen, 28.06.2022

EY Godkendt Revisionspartnerselskab

CVR No. 30 70 02 28

Christian Schwenn Johansen

State Authorised Public Accountant

Identification No (MNE) mne33234

Rasmus Bloch Jespersen

State Authorised Public Accountant

Identification No (MNE) mne35503

Management commentary

Primary activities

IO Biotech is a clinical stage biotech company developing disruptive immune therapies for the treatment of cancer. IO Biotech has a pipeline of first-in-class immune modulating anti-cancer therapies based on a unique platform technology enabling the activation of T cells that are specific for immune inhibitory molecules.

IO Biotech has achieved a proven track record of progressing compounds to the clinic and has compounds in clinical development and late-stage preclinical phase.

IO Biotech has an experienced management team within immuno-oncology fields and a world-class scientific and clinical advisory board.

Development in activities and finances

Our product candidates are designed to induce the immune system to simultaneously target and disrupt multiple pathways that regulate tumor-induced immunosuppression. We believe this represents a paradigm shift in the management of cancer and that our product candidates have the potential to become cornerstones of the treatment regimens of multiple solid tumors. Our lead product candidate, IO102-IO103, is designed to target the immunosuppressive mechanisms mediated by key immunosuppressive proteins such as IDO and PD-L1. In a Phase 1/2 clinical trial of 30 patients with metastatic melanoma, IO102-IO103, in combination with nivolumab, demonstrated an ability to induce meaningful tumor regression and establish durable antitumor response while achieving a manageable tolerability profile for patients. In this trial, we observed a confirmed ORR of 73% and a CR rate of 47%. Based on the results from this trial, IO102-IO103, in combination with pembrolizumab was granted BTM by the FDA for treatment of unresectable/metastatic melanoma and we are currently executing a potentially registrational Phase 3 trial for IO102-IO103.

Financial review

The income statement for 2021 shows a loss of DKK 240,410,969 against a loss of DKK 65,160,755 last year, and the balance sheet on 31 December 2021 shows an equity of DKK 722,778,511.

Management considers the Company's financial performance in the year satisfactory and in line with the strategic directions.

In November 2021, the parent company, IO Biotech, Inc., became a listed company on Nasdaq. As part of the parent company becoming a listed company, a cash capital increase of DKK 945,653 thousand was executed, which has increased total equity and cash significantly.

There is an increase in cost as there has been an increase in the activities due to moving into phase 3.

Uncertainty relating to recognition and measurement

There are no material unusual circumstances affecting recognition and measurement according to the knowledge of the management.

Events after the balance sheet date

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

Income statement for 2021

	Notes	2021 DKK	2020 DKK
Research and development costs		(187,898,951)	(63,789,644)
Administrative expenses		(55,109,868)	(6,748,269)
Other operating income		684,160	1,355,281
Operating profit/loss		(242,324,659)	(69,182,632)
Financial income	3	0	2,611,056
Financial expenses	4	(3,586,310)	(4,089,179)
Profit/loss before tax		(245,910,969)	(70,660,755)
Tax on profit/loss for the year	5	5,500,000	5,500,000
Profit/loss for the year		(240,410,969)	(65,160,755)
Proposed distribution of profit and loss:			
Retained earnings		(240,410,969)	(65,160,755)
Proposed distribution of profit and loss		(240,410,969)	(65,160,755)

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Acquired rights		14,765,833	1,693,333
Intangible assets	6	14,765,833	1,693,333
Other fixtures and fittings, tools and equipment		11,306	24,677
Property, plant and equipment	7	11,306	24,677
Investments in group enterprises		720	0
Deposits		256,597	86,466
Financial assets	8	257,317	86,466
Fixed assets		15,034,456	1,804,476
Receivables from group enterprises		30,133,983	0
Other receivables		8,173,980	5,407,201
Income tax receivable		5,500,000	5,500,000
Prepayments		31,341,530	2,664,482
Receivables		75,149,493	13,571,683
Cash		712,961,318	20,720,197
Current assets		788,110,811	34,291,880
Assets		803,145,267	36,096,356

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital	9	1,829,447	634,583
Other reserves		2,433,740	0
Retained earnings		718,515,324	16,901,792
Equity		722,778,511	17,536,375
Bank loans		0	20,879
Trade payables		57,375,105	12,202,923
Payables to group enterprises		18,868,524	0
Other payables		3,820,527	5,565,046
Deferred income		302,600	771,133
Current liabilities other than provisions		80,366,756	18,559,981
Liabilities other than provisions		80,366,756	18,559,981
Equity and liabilities		803,145,267	36,096,356
Events after the balance sheet date	1		
Staff costs	2		
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Statement of changes in equity for 2021

	Contributed capital DKK	Other reserves DKK	Retained earnings DKK	Total DKK
Equity beginning of year	634,583	0	16,901,792	17,536,375
Increase of capital	1,198,121	0	944,454,984	945,653,105
Decrease of capital	(3,257)	2,433,740	(2,430,483)	0
Profit/loss for the year	0	0	(240,410,969)	(240,410,969)
Equity end of year	1,829,447	2,433,740	718,515,324	722,778,511

The capital increase and the capital decrease carried out in 2021 are related to the initial public offering (IPO) of the parent company, IO Biotech, Inc. The costs directly related to the capital increase is hence charged to the parent Company.

Notes

1 Events after the balance sheet date

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

2 Staff costs

	2021	2020
	DKK	DKK
Wages and salaries	18,223,540	13,598,150
Pension costs	1,067,393	1,431,922
Other social security costs	61,963	83,062
	19,352,896	15,113,134
Average number of full-time employees	15	12

Staff costs are recognised as follows in the financial statements:

	2021	2020
Administrative expenses	4,329,542	3,149,531
Research costs	15,023,354	11,963,603
	19,352,896	15,113,134

3 Financial income

	2021	2020
	DKK	DKK
Fair value adjustments on preferred stock tranche obligations	0	2,611,056
	0	2,611,056

4 Financial expenses

	2021	2020
	DKK	DKK
Financial expenses, convertible debt	0	3,687,432
Other interest expenses	3,586,310	401,747
	3,586,310	4,089,179

5 Tax on profit/loss for the year

	2021	2020
	DKK	DKK
Current tax	(5,500,000)	(5,500,000)
	(5,500,000)	(5,500,000)

6 Intangible assets

	Acquired rights DKK
Cost beginning of year	2,100,000
Additions	13,200,000
Cost end of year	15,300,000
Amortisation and impairment losses beginning of year	(406,667)
Amortisation for the year	(127,500)
Amortisation and impairment losses end of year	(534,167)
Carrying amount end of year	14,765,833

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	137,336
Cost end of year	137,336
Depreciation and impairment losses beginning of year	(112,659)
Depreciation for the year	(13,371)
Depreciation and impairment losses end of year	(126,030)
Carrying amount end of year	11,306

8 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	0	256,597
Additions	720	0
Cost end of year	720	256,597
Carrying amount end of year	720	256,597

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
IO Bio US, INC	Delaware, USA	Inc	100.00	925,000	925,000
IO Biotech Limited	Monmouthshire ,United Kingdom	Limited	100.00	730,000	730,000

9 Share capital

	Number	Par value DKK	Nominal value DKK
A shares	50,000	1	50,000
B shares	584,583	1	584,583
C shares	1,194,864	1	1,194,864
	1,829,447		1,829,447

10 Unrecognised rental and lease commitments

	2021 DKK	2020 DKK
Liabilities under rental or lease agreements until maturity in total	528,183	187,273

As part of the licence agreements entered by the Company once a product is developed and commercialised, the Company may be required to make milestone payments and royalty payments.

The Company expects to generate income from such products which will exceed any such milestone and royalty payments due. No minimum unconditional payments have been committed to. The Company has no liabilities prior to the occurrence of a potential future event. Accordingly, no such liabilities have been recognised.

11 Assets charged and collateral

The Company has not provided any security or other collateral in assets at 31 December 2021.

12 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

IO Biotech Inc.
Orange Street 1209
DE 19801 Wilmington
USA

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.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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

Research and development costs

The item includes research and development costs not satisfying the criteria for capitalisation. Research costs comprise salaries, patent costs, consultancy fees, clinical trial cost, etc.

Contractual costs to provide services related to clinical trial start-up activities are recognised ratably over the estimated start-up period.

Contractual costs to provide services related to patient treatment are recognised based on data related to patient screening, enrollment and monitoring visits. Fixed fees not directly correlated to patient activities, such as CRO, management fees or database maintenance, are often recognised ratably over the treatment period.

Contractual costs to provide wrap-up activities are often recognised ratably over the estimated wrap-up period.

The company will receive charges from subsidiaries as a part of the service delivered.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises, lawyers, auditors, consultants etc. and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including public grants, gains or losses on the sale of fixed assets.

Public grants to cover expenses are recognised in the income statement when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised only where they are not expected to be repaid.

Other financial income

Other financial income comprise fair value adjustment of conversion option relating to convertible debt.

Other financial expenses

Other financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme and component related to convertible debt etc.

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Tax of the year includes tax credits for costs incurred in connection with research and development activities under the Danish Tax Regime.

Balance sheet**Intellectual property rights etc**

Other intangible assets include development projects and other acquired intangible rights, including development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

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

Acquired intellectual property	10-16 years
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Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Art are measured at cost without depreciation.

Other fixtures and fittings, tools and equipment	3-5 years
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Cost includes the acquisition price and costs directly related to them acquisition until the time at which the asset is ready for use.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount. Impairment test are being made each year.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Tax payable or receivable

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprises cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity**Contributed capital**

The contributed capital comprises the nominal amount of the Company's class A, B, and C shares.

Retained earnings

Retained earnings includes the accumulated profit/loss for the year and the reduction from any expenses directly attributable to capital increases.

Other reserves

Other reserves comprises amounts relating to the special reserve that has been established upon the execution of the share capital decrease in accordance with section §188 (1) (3) of the Danish Companies Act. The special fund may only be used after resolution of the general meeting.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value. The convertible debt facility is separated into liability and equity components based on the terms of the contract. On issuance of the convertible debt facility, the fair value of the liability component, is determined using a market rate for an equivalent non-convertible instrument.

The difference between the fair value of the liability component and the total proceeds is allocated to the conversion option. The conversion option is classified as a derivative liability, as it is not convertible into a fixed number of shares for a fixed amount of cash. Subsequent to initial recognition, the conversion option is accounted for as a derivative and thus, it is measured at fair value through profit or loss. Any gains or losses on the conversion option is recognized as part of financial items.

When estimating the fair value of financial instruments, management applies inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.