



IO Biotech ApS

Ole Maaløes Vej 3
2200 København N
CVR No. 36474483

Annual report 2020

The Annual General Meeting adopted the
annual report on 29.06.2021

Peter Hirth

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020	9
Balance sheet at 31.12.2020	10
Statement of changes in equity for 2020	12
Notes	13
Accounting policies	17

Entity details

Entity

IO Biotech ApS

Ole Maaløes Vej 3

2200 København N

CVR No.: 36474483

Registered office: København N

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Peter Hirth, Chairman

Claus Asbjørn Andersson

Christian Ellebæk Elling

Jack Bech Nielsen

Emmanuelle Coutanceau

Kathleen Sereda Glaub

Vanessa Malier

Priyanka Belawat

Executive Board

Mai-Britt Zocca, CEO

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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, 29.06.2021

Executive Board

Mai-Britt Zocca
CEO

Board of Directors

Peter Hirth
Chairman

Claus Asbjørn Andersson

Christian Ellebæk Elling

Jack Bech Nielsen

Emmanuelle Coutanceau

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 01.01.2020 - 31.12.2020, 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.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements 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 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary.

Our opinion 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 audit 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 audit 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 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 commentary.

Copenhagen, 29.06.2021

EY Godkendt Revisionspartnerselskab

CVR No. 30 70 02 28

Christian Schwenn Johansen

State Authorised Public Accountant

Identification No (MNE) mne33234

Hans B. Vistisen

State Authorised Public Accountant

Identification No (MNE) mne23254

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

IO Biotech recently completed a phase 1/2 trial evaluating IO102-IO103 in combination with an anti-PD-1 monoclonal antibody, nivolumab, in 30 PD-1 naïve, first-line metastatic melanoma patients. In September 2020, IO Biotech announced a late-breaking, oral presentation at the ESMO Virtual Congress 2020. In December 2020, IO Biotech announced that the U.S. Food and Drug Administration (FDA) has granted breakthrough therapy designation for a combination of the potential therapy IO102 and IO103 with anti-PD-1 mAb for patients with unresectable/metastatic melanoma.

IO Biotech is conducting a Phase 2 trial (IO102-012/KEYNOTE-764) of its cancer therapeutic vaccine, IO102, in non-small cell lung cancer (NSCLC). In this randomized trial, IO102 is being tested in combination with Merck's anti-PD1 therapy, Keytruda (pembrolizumab) as a first-line therapy in patients with metastatic non-small cell lung cancer.

Financial review

The income statement for 2020 shows a loss of DKK 65,160,755 against a loss of DKK 68,677,061 last year, and the balance sheet on 31 December 2020 shows an equity of DKK 17,536,375.

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

By end of 2020, the share capital was in total DKK 634,853 with Sunstone Capital, Lundbeckfonden and Novo Holdings as main investors.

In August 2019, The main investors (Sunstone Capital, Lundbeckfonden and Novo Holdings) provided a convertible loan of EUR 8M, which was converted to shares in April 2020. No additional funding was raised in 2020.

There is no material change in operational activities in 2020 which is reflected in the operational costs which are at the same level as in 2019.

Unusual circumstances affecting 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

On January 13, 2021, IO Biotech completed a series B of EUR 127 M with the participation of Lundbeckfonden Emerge, Novo Seeds, Sunstone Life Science Ventures, HBM Partners, Vivo Capital, Kurma Partners, Avoro Capital, RA Capital Management, Samsara Biocapital, Idinvest Partners, PFM Health Sciences, Soleus Capital, Eir Ventures and Serrado Capital.

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

Income statement for 2020

	Notes	2020 DKK	2019 DKK
Research and development costs		(63,789,646)	(65,000,751)
Administrative expenses		(6,748,268)	(6,869,365)
Other operating income		1,355,281	203,076
Operating profit/loss		(69,182,633)	(71,667,040)
Other financial income	4	2,611,056	2,511,313
Other financial expenses	5	(4,089,178)	(5,021,334)
Profit/loss before tax		(70,660,755)	(74,177,061)
Tax on profit/loss for the year	6	5,500,000	5,500,000
Profit/loss for the year		(65,160,755)	(68,677,061)
Proposed distribution of profit and loss:			
Retained earnings		(65,160,755)	(68,677,061)
Proposed distribution of profit and loss		(65,160,755)	(68,677,061)

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Acquired rights		1,693,333	1,820,833
Intangible assets	7	1,693,333	1,820,833
Other fixtures and fittings, tools and equipment		24,677	68,429
Property, plant and equipment	8	24,677	68,429
Deposits		86,466	86,466
Financial assets	9	86,466	86,466
Fixed assets		1,804,476	1,975,728
Other receivables		5,407,201	3,007,992
Income tax receivable		5,500,000	5,500,000
Prepayments		2,664,483	502,194
Receivables		13,571,684	9,010,186
Cash		20,720,197	52,184,450
Current assets		34,291,881	61,194,636
Assets		36,096,357	63,170,364

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital	10	634,583	416,301
Retained earnings		16,901,792	(14,281,062)
Equity		17,536,375	(13,864,761)
Other payables		0	338,641
Non-current liabilities other than provisions		0	338,641
Bank loans		20,879	43,573
Loans raised by the issuance of bonds		0	4,795,440
Convertible and dividend-yielding debt instruments	11	0	57,221,946
Trade payables		12,202,924	11,476,841
Other payables		5,565,046	2,653,984
Deferred income		771,133	504,700
Current liabilities other than provisions		18,559,982	76,696,484
Liabilities other than provisions		18,559,982	77,035,125
Equity and liabilities		36,096,357	63,170,364
Going concern	1		
Events after the balance sheet date	2		
Staff costs	3		
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		

Statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	416,301	(14,281,062)	(13,864,761)
Increase of capital	218,282	96,343,609	96,561,891
Profit/loss for the year	0	(65,160,755)	(65,160,755)
Equity end of year	634,583	16,901,792	17,536,375

Notes

1 Going concern

The balance sheet at 31.12.2020 shows a cash position at DKK 20.7 M and therefore a funding need in order to continue ongoing activities as expected expenditure will exceed the Company's cash and net working capital positions.

In the opinion of the Company, the funding received in January 2021 from the completion of the series B-financing is expected to cover the Company's financing needs and clinical developments plans well into 2022. On this basis, the financial statements are prepared on a going concern assumption.

2 Events after the balance sheet date

In January 2021, IO Biotech completed a series B-financing of EUR 127 M with the participation of Lundbeckfonden Emerge, Novo Seeds, Sunstone Life Science Ventures, HBM Partners, Vivo Capital, Kurma Partners, Avoro Capital, RA Capital Management, Samsara Biocapital, Idinvest Partners, PFM Health Sciences, Soleus Capital, Eir Ventures and Serrado Capital.

3 Staff costs

	2020	2019
	DKK	DKK
Wages and salaries	13,598,150	14,069,019
Pension costs	1,431,922	1,406,329
Other social security costs	83,062	52,592
Other staff costs	1,784,883	852,586
	16,898,017	16,380,526

Number of employees at balance sheet date	12	12
---	-----------	-----------

Staff costs are recognised as follows in the financial statements:

	2020	2019
Administrative expenses	3,149,531	3,376,150
Research costs	13,748,486	13,004,376
	16,898,017	16,380,526

4 Other financial income

	2020	2019
	DKK	DKK
Fair value adjustments	2,611,056	2,511,313
	2,611,056	2,511,313

5 Other financial expenses

	2020 DKK	2019 DKK
Financial expenses from associates	3,687,432	4,795,440
Other financial expenses	401,746	225,894
	4,089,178	5,021,334

6 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	(5,500,000)	(5,500,000)
	(5,500,000)	(5,500,000)

Estimated tax charge for the year comprise income tax credit in accordance with LL 8X.

7 Intangible assets

	Acquired rights DKK
Cost beginning of year	2,100,000
Cost end of year	2,100,000
Amortisation and impairment losses beginning of year	(279,167)
Amortisation for the year	(127,500)
Amortisation and impairment losses end of year	(406,667)
Carrying amount end of year	1,693,333

Management has assessed the valuation of the acquired intellectual property and concluded that there is no impairment.

8 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	(68,907)
Depreciation for the year	(43,752)
Depreciation and impairment losses end of year	(112,659)
Carrying amount end of year	24,677

9 Financial assets

	Deposits DKK
Cost beginning of year	86,466
Cost end of year	86,466
Carrying amount end of year	86,466

10 Share capital

	Number	Par value DKK	Nominal value DKK
A shares	50,000	1	50,000
B shares	584,583	1	584,583
	634,583		634,583

The B shares carry special preference rights in case of distribution of dividends, etc. and protection against dilution in case of certain issues of shares.

On 23 November 2016, the Company issued 10,936 warrants. On 21 February 2017, the Company issued 10,294 warrants. On 7 November 2017, the Company issued 4,149 warrants. No warrants have been issued or exercised in 2020. Accordingly, as at 31 December 2020 25,379 warrants issued by the Company were outstanding and the Board of Directors was authorised to issue additionally 45,130 warrants. Each warrant grants the right to subscribe for one A share. In 2020 no warrants have been used or issued.

On 17 April 2020, the Company issued 142,437 B shares against conversion of debt and on 13 July 2020, the Company issued 75,845 B shares against cash payment, each such B share having a nominal value of DKK 1.

11 Convertible and dividend-yielding debt instruments

Convertible debt instruments as of 31. December 2019 have all been converted in the financial period of 01. January 2020 - 31. December 2020. As of 31. December 2020, there are no convertible debt instruments remaining.

12 Unrecognised rental and lease commitments

	2020	2019
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	187,273	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.

13 Contingent liabilities

	2020	2019
	DKK	DKK
Other contingent liabilities	118,000	1,426,000
Contingent liabilities	118,000	1,426,000

Other contingent liabilities include the Company's commitment regarding co-financed research.

The company has contractual commitments regarding co-financed research. The contractual commitments amounts to DKK 2.4 M.

14 Assets charged and collateral

The Company has not provided any security or other collateral in assets at 31 December 2020.

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 certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

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.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

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.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises 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 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

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

Cost includes the acquisition price and costs directly related to them acquisition until the time at which the asset is ready for use.

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.

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.