

IO Biotech ApS

Ole Maaløes Vej 3
2200 København N
CVR No. 36474483



Annual Report 2022

The Annual General Meeting adopted the annual report on 28/6 2023

DocuSigned by:

Mai-Britt Zocca



Signer Name: Mai-Britt Zocca

Chairman of the General Meeting

Signing Reason: Approve the document

Signing Time: June 27, 2023 | 11:53:28 AM PDT

Mai-Britt Zocca

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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: 01.01.2022 – 31.12.2022

Executive Board

Mai-Britt Zocca

Auditors

EY Godkendt Revisionspartnerselskab

Dirch Passers Allé 36

2000 Frederiksberg

CVR no.: 3070022

Statement by Management

The Executive Board have today considered and approved the annual report of IO Biotech 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.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 28/6 2023

Executive Board

DocuSigned by:
Mai-Britt Zocca
 **Mai-Britt Zocca**
Signer Name: Mai-Britt Zocca
Signing Reason: I approve this document
Signing Time: June 27, 2023 | 11:53:43 AM PDT
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Independent auditor's report

To the shareholder of IO Biotech ApS

Opinion

We have audited the financial statements of IO Biotech 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 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 December 2022 and of the results of the Company's operations for the financial year 01.01.2022 – 31.12.2022 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 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's review

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, 28.06.2023

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's review

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 Indoleamine 2,3-dioxygenase (IDO) and programmed death ligand (PD-L1). In a singlearm Phase 1/2 clinical trial of 30 patients with metastatic melanoma with the primary objective of investigating safety and tolerability, the secondary objective of investigating immunogenicity, and the tertiary objective of investigating clinical efficacy, 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. The clinical efficacy endpoints in this trial included objective response (OR), progression free survival (PFS) and overall survival (OS). In this trial, we observed a confirmed overall response rate (ORR) of 73% and a complete response rate (CRR) of 50%. Based on the results from this trial, IO102- IO103, in combination with pembrolizumab, was granted BTX by the FDA for treatment of unresectable/metastatic melanoma.

Financial review

The income statement for 2022 shows a loss of DKK 463,037,029 against a loss of DKK 240,410,969 last year, and the balance sheet on 31 December 2022 shows an equity of DKK 259,741,482.

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

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

In 2021, the parent company, IO Biotech, Inc., became a listed company on Nasdaq US. As part of the parent company becoming a listed company, a cash capital increase of DKK 945,653 thousand was completed. No capital increases were executed in 2022.

Financing and the going concern assumption

The Company is financed via shareholder's equity and payables to group enterprises. The Company has received a letter of financial support from its sole shareholder, IO Biotech, Inc., wherein IO Biotech, Inc. guarantees to support the Company with sufficient liquidity, to finance the current investment program and planned operating losses at least through 30 June 2024. On this basis, the financial statements are prepared on going concern assumption.

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

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

Income statement for 1 January – 31 December 2022

	Notes	2022 DKK	2021 DKK
Research and development costs	3	(349,060,845)	(187,898,951)
Administrative expenses	3	(118,951,934)	(55,109,868)
Other operating income		406,299	684,160
Operating profit/loss		(467,606,480)	(242,324,659)
Financial income	4	2,206,765	0
Financial expenses	5	(3,137,314)	(3,586,310)
Profit/loss before tax		(468,537,029)	(245,910,969)
Tax on profit/loss for the year	6	5,500,000	5,500,000
Profit/loss for the year		(463,037,029)	(240,410,969)
Proposed distribution of profit and loss:			
Retained earnings		(463,037,029)	(240,410,969)
Proposed distribution of profit and loss		(463,037,029)	(240,410,969)

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Acquired rights		13,622,948	14,765,833
Intangible assets	7	13,622,948	14,765,833
Other fixtures and fittings, tools and equipment		1,190,373	11,306
Property, plant and equipment	8	1,190,373	11,306
Investments in group enterprises		720	720
Deposits		574,503	256,597
Financial assets	9	575,223	257,317
Fixed assets		15,388,544	15,034,456
Receivables from group enterprises		16,577,253	30,133,983
Other receivables		5,250,737	8,173,980
Income tax receivable		5,500,000	5,500,000
Prepayments		14,788,101	31,341,530
Receivables		42,116,091	75,149,493
Cash		359,523,099	712,961,318
Current assets		401,639,190	788,110,811
Assets		417,027,734	803,145,267

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		1,829,447	1,829,447
Other reserves		2,433,740	2,433,740
Retained earnings		255,478,295	718,515,324
Equity		259,741,482	722,778,511
Trade Payables		44,247,615	57,375,105
Payables to group enterprises		108,815,471	18,868,524
Other payables		4,122,299	3,820,527
Deferred income		100,867	302,600
Current liabilities other than provisions		157,286,252	80,366,756
Liabilities other than provisions		157,286,252	80,366,756
Equity and liabilities		417,027,734	803,145,267

Financing and the going concern assumption	1
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Statements of changes in equity

	Contributed capital DKK	Other reserves DKK	Retained earnings DKK	Total DKK
Equity at 1 January 2022	1,829,447	2,433,740	718,515,324	722,778,511
Profit/loss for the year	0	0	(463,037,029)	(463,037,029)
Equity at 31 December 2022	1,829,447	2,433,740	255,478,295	259,741,482

	Contributed capital DKK	Other reserves DKK	Retained earnings DKK	Total DKK
Equity at 1 January 2021	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 at 31 December 2021	1,829,447	2,433,740	718,515,324	722,778,511

Notes

1 Financing and the going concern assumption

The Company is financed via shareholder's equity and payables to group enterprises. The Company has received a letter of financial support from its sole shareholder, IO Biotech, Inc., wherein IO Biotech, Inc. guarantees to support the Company with sufficient liquidity, to finance the current investment program and planned operating losses at least through 30 June 2024. On this basis, the financial statements are prepared on going concern assumption.

2 Events after the balance sheet date

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

3 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	23,506,803	18,223,540
Pensions costs	4,210,148	1,067,393
Other social security costs	214,973	61,963
	27,931,924	19,352,896

Average number of employees	19	15
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Staff costs are recognized as follows in the financial statements:

	2022	2021
Administrative expenses	7,808,510	4,329,542
Research and development costs	20,123,414	15,023,354
	27,931,924	19,352,896

4 Financial income

	2022 DKK	2021 DKK
Other financial income	2,206,765	0
	2,206,765	0

5 Financial expenses

	2022 DKK	2021 DKK
Other interest expenses	3,137,314	3,586,310
	3,137,314	3,586,310

6 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	(5,500,000)	(5,500,000)
	(5,500,000)	(5,500,000)

7 Intangible assets

	Acquired rights DKK
Cost beginning of year	15,300,000
Additions	0
Cost end of the year	15,300,000
Amortization and impairment losses beginning of year	(534,167)
Amortization of the year	(1,142,885)
Amortization and impairment losses end of year	(1,677,052)
Carrying amount end of year	13,622,948

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	137,336
Additions	1,232,107
Cost end of the year	1,369,443
Depreciation and impairment losses beginning of year	(126,030)
Depreciation of the year	(53,040)
Depreciation and impairment losses end of year	(179,070)
Carrying amount end of year	1,190,373

9 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	720	256,597
Additions	0	317,906
Cost end of the year	720	574,503
Carrying amount end of year	720	574,503

10 Unrecognized rental and lease commitments

	2022	2021
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	4,415,724	528,183

We enter into contracts in the ordinary course of business with third-party service providers for clinical trials, preclinical research studies and testing, manufacturing and other services and products for operating purposes. These contracts generally provide for termination upon notice of 30 to 90 days, and therefore, we believe that our non-cancelable obligations under these agreements are not material and we cannot reasonably estimate whether they will occur. However, in the event of a termination of any contracts with CROs or other institutions and with respect to active patients enrolled in our clinical trials, we may be financially obligated for a period beyond the contractual termination notice periods. We may also enter into additional research, 155 manufacturing, supplier, lease and other agreements in the future, which may require up-front payments and even long-term commitments of cash.

11 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

<https://investors.iobiotech.com/>

12 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.

Translation policies

Presentation currency

The financial statements are presented in Danish Kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables, and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currency are measured at the exchange rate at the transaction date.

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 comprises bank interest, realized - and unrealized exchange rates gains.

Other financial expenses

Other financial expenses are recognised in the income statements at the amounts that concern the financial year.

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

Intangible assets acquired intangible rights.

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.

Amortisation is made over the estimated economic life without the determination of a residual value. The expected useful lives of the intangible assets are as follows:

Acquired intangible rights	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 is 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.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment and equity investments in group entities is tested annually for indication of impairment other than the decrease in value reflected by amortisation/depreciation made.

Impairment tests are conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the recoverable amount and carrying amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets.

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 comprise of 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.

Liabilities other than provisions

The Company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

