# **IO Biotech ApS**

Ole Maaløes Vej 3, 2200 Copenhagen N CVR no. 36 47 44 83

# Annual report

for the year 1 January - 31 December 2019

| Annro | ved at the | Company | y's annual | general | meeting  | ı on T | 7 May  | 12020  |
|-------|------------|---------|------------|---------|----------|--------|--------|--------|
| Appro | veu at the | Compan  | y 3 ammuan | general | meetinic | , 011  | riviay | 7 2020 |

Chairman:







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# Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of IO Biotech ApS for the financial year 1 January - 31 December 2019.

The annual report is 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 7 May 2020 Executive Board:

| Mai-Britt Zocca<br>Mai-Brit Zocca |                         |                       |
|-----------------------------------|-------------------------|-----------------------|
| Board of Directors:               |                         |                       |
| Peter Hirth                       | Emmanuelle Coutanceau   | Mads Hald Andersen    |
| Peter Hirth<br>Chairman           | Emmanuelle Coutanceau   | Mads Hald Andersen    |
| Christian Elling                  | Claus Andersson         | Kathleen Sereda Glaub |
| Christian Ellebæk Elling          | Claus Asbjørn Andersson | Kathleen Sereda Glaub |



## 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 1 January - 31 December 2019, which comprise 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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' 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 rules and requirements.

# 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 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 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.



# Independent auditor's report

- 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 7 May 2020

**ERNST & YOUNG** 

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Christian Schwenn Johansen

State Authorised Public Accountant

mne 33234



# Management's review

# Company details

Name IO Biotech ApS

Address, Postal code, City Ole Maaløes Vej 3, 2200 Copenhagen N

CVR no. 36 47 44 83
Established 23 December 2014
Registered office Copenhagen

Financial year 1 January - 31 December

Website www.iobiotech.com E-mail mz@iobiotech.com

Telephone +45 21 94 78 56

Board of Directors Peter Hirth, Chairman

Emmanuelle Coutanceau Mads Hald Andersen Christian Ellebæk Elling Claus Asbjørn Andersson Kathleen Sereda Glaub

Executive Board Mai-Brit Zocca

Auditors Ernst & Young Godkendt Revisionspartnerselskab

Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg,

Denmark

Bankers Danske Bank



## Management's review

#### **Business review**

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's lead candidate, IO102, is an Indoleamine 2,3-dioxygenase (IDO) derived immune modulating therapy with a dual mode of action - killing both cancer cells and immune-suppressive cells. IO Biotech's IDO-derived immune modulating therapies previously demonstrated both a favorable safety profile and promising anti-tumor activity in its first human clinical trial of heavily pre-treated patients with non-small cell lung cancer (NSCLC).

IO Biotech has an experienced management team within immuno-oncology fields and a world-class scientific and clinical advisory board. The investors and major shareholders are specialized and well-capitalized venture funds with experience and financial capabilities to fund the company into further clinical studies

## Unusual matters having affected the financial statements

#### Going concern

The Company's budget for 2020 shows a funding need in 2020 as expected expenditure will exceed the Company's cash and net working capital positions on 31 December 2019 with DKK 11M. On the basis of the positive preliminary clinical data, the Company is in dialog with its investors on financing the company until readout of the ongoing Phase 2 studies, i.e. until Q2 2021. In the event, that the Company is not able to secure additional funding, Management is able to reduce operational activities to, and maintain the Company as a going concern until, the end of 2020 if such decision is taken no later than 31 May 2020.

#### Financial review

The income statement for 2019 shows a loss of DKK 68,677,061 against a loss of DKK 51,326,887 last year, and the balance sheet at 31 December 2019 shows a negative equity of DKK 13,864,761.

The company has in December 2019 lost more than 50% of the share capital. Management has reestablish its share capital by conversion of debt in April 2020.

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

By end of 2018, the share capital was in total DKK 416,301 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.

No additional funding was raised in 2019.



# Management's review

### Events after the balance sheet date

In February 2020, IO Biotech announced positive outcome of interim analysis of phase 2 randomized trial in first line non-small cell lung cancer.

In April 2020, the company converted the debt facility into equity and thereby re-established its share capital.

After the balance sheet date 31 December 2019, the COVID-19 virus impacted Denmark. Management consider the outbreak to constitute a non-adjusting event and as a result, management has not adjusted any figures in the financial statements 2019.

No other material events affecting the Company's financial position have occurred subsequent to the financial year-end.



# Income statement

| Note   | DKK  | 2019                                   | 2018                                |
|--------|--|--|-------------------------------------|
| 4      | Administrative expenses  | -6,869,366                             | -6,615,191                          |
| 4,5    | Operating profit/loss Other operating income Research and development costs    | -6,869,366<br>203,076<br>-65,000,751   | -6,615,191<br>68,286<br>-47,917,244 |
| 6<br>7 | Profit/loss before net financials Financial income Financial expenses          | -71,667,041<br>2,511,313<br>-5,021,333 | -54,464,149<br>0<br>-2,362,738      |
| 8      | Profit/loss before tax Tax for the year  | -74,177,061<br>5,500,000               | -56,826,887<br>5,500,000            |
|        | Profit/loss for the year   | -68,677,061                            | -51,326,887                         |
|        | Recommended appropriation of profit/loss<br>Retained earnings/accumulated loss | -68,677,061<br>-68,677,061             | -51,326,887<br>-51,326,887          |



# Balance sheet

| Note | DKK  | 2019                              | 2018                                |
|------|--|-----------------------------------|-------------------------------------|
| 9    | ASSETS Fixed assets Intangible assets                          |                                   |                                     |
|      | Acquired intellectuel property                                 | 1,820,833                         | 1,948,333                           |
|      |  | 1,820,833                         | 1,948,333                           |
| 10   | Property, plant and equipment                                  | 24,000                            | 24,000                              |
|      | Fixtures and fittings, other plant and equipment               | 44,429                            | 68,269                              |
|      |  | 68,429                            | 92,269                              |
| 11   | Investments Deposits   | 86,466                            | 83,947                              |
|      |  | 86,466                            | 83,947                              |
|      | Total fixed assets   | 1,975,728                         | 2,124,549                           |
|      | Non-fixed assets<br>Receivables                                |                                   |                                     |
| 12   | Corporation tax receivable<br>Other receivables<br>Prepayments | 5,500,000<br>3,007,992<br>502,194 | 5,500,000<br>1,392,048<br>2,814,052 |
|      |  | 9,010,186                         | 9,706,100                           |
|      | Cash   | 52,184,450                        | 51,924,129                          |
|      | Total non-fixed assets   | 61,194,636                        | 61,630,229                          |
|      | TOTAL ASSETS   | 63,170,364                        | 63,754,778                          |
|      |  |                                   |                                     |



# Balance sheet

| Note | DKK  | 2019        | 2018       |
|------|--|-------------|------------|
| 13   | EQUITY AND LIABILITIES Equity Share capital  | 416,301     | 416,301    |
| 13   | Share capital<br>Retained earnings   | -14,281,062 | 54,395,999 |
|      | Total equity   | -13,864,761 | 54,812,300 |
| 14   | Liabilities other than provisions<br>Non-current liabilities other than provisions |             |            |
|      | Other payables   | 338,641     | 0          |
|      |  | 338,641     | 0          |
|      | Current liabilities other than provisions  |             |            |
|      | Bank debt  | 43,573      | 28,828     |
|      | Conversion option  | 4,795,440   | 0          |
| 15   | Convertible debt   | 57,221,946  | 0          |
|      | Trade payables   | 11,476,841  | 6,077,573  |
|      | Other payables   | 2,653,984   | 2,836,077  |
| 16   | Deferred income  | 504,700     | 0          |
|      |  | 76,696,484  | 8,942,478  |
|      | Total liabilities other than provisions  | 77,035,125  | 8,942,478  |
|      | TOTAL EQUITY AND LIABILITIES   | 63,170,364  | 63,754,778 |

- Accounting policies
   Going concern uncertainties
   Events after the balance sheet date
- 18 Contractual obligations and contingencies, etc.
- 19 Collateral



# Statement of changes in equity

| DKK  | Share capital | Retained<br>earnings      | Total                     |
|--|---------------|---------------------------|---------------------------|
| Equity at 1 January 2019<br>Transfer through appropriation of loss | 416,301<br>0  | 54,395,999<br>-68,677,061 | 54,812,300<br>-68,677,061 |
| Equity at 31 December 2019   | 416,301       | -14,281,062               | -13,864,761               |

The company have in December 2019 lost more than 50% of the share capital. Subsequently, to 31 december 2019, the management have re-established the share capital.



#### Notes to the financial statements

#### 1 Accounting policies

The annual report of IO Biotech ApS for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting 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 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

### 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.

### Research costs

The item includes research 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

### 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.



#### Notes to the financial statements

### 1 Accounting policies (continued)

#### Amortisation/depreciation

The item comprises depreciation and impairment of property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intellectuel property

10 - 16 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment 3 - 5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Art is not depreciated.

# Financial income and expenses

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

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

#### Intangible assets

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.



#### Notes to the financial statements

#### 1 Accounting policies (continued)

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

#### Investments

Deposits are measured at cost.

#### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

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 and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

## 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.

### **Prepayments**

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

# Cash

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

#### Income taxes

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 exeption of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of opreations nor the taxable income.



#### Notes to the financial statements

### 1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Tax credits from research and development expenditures are recognised in the balance sheet as tax receivables.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net 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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

### Convertible loans

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.

#### 2 Going concern uncertainties

The Company's budget for 2020 shows a funding need in 2020 as expected expenditure will exceed the Company's cash and net working capital positions on 31 December 2019 with DKK 11M. On the basis of the positive preliminary clinical data, the Company is in dialog with its investors on financing the company until readout of the ongoing Phase 2 studies, i.e. until Q2 2021. In the event, that the Company is not able to secure additional funding, Management is able to reduce operational activities to, and maintain the Company as a going concern until, the end of 2020 if such decision is taken no later than 31 May 2020.



## Notes to the financial statements

## 3 Events after the balance sheet date

In February 2020, IO Biotech Announces Positive Outcome of Interim Analysis of Phase 2 Randomized Trial in First Line Non-small Cell Lung Cancer.

In April 2020, the company converted the debt facility into equity and thereby re-established its share capital.

After the balance sheet date 31 December 2019, the COVID-19 virus impacted Denmark. Management consider the outbreak to constitute a non-adjusting event and as a result, management have not adjusted any figures figures in the financial statements 2019.

No other material events affecting the Company's financial position have occurred subsequent to the financial year-end.

| 4 Staff costs Wages/salaries 14,069,019 1:  | 2,438,414                                 |
|---|---|
| Pensions 1,406,329 Other social security costs 52,592 Other staff costs 852,586   | 793,945<br>34,673<br>313,247<br>3,580,279 |
| Staff costs are recognised as follows in the financial statements:  |   |
|   | 3,039,713<br>0,540,566                    |
| <u>16,380,526</u> <u>1</u> .  | 3,580,279                                 |
| Average number of full-time employees 12  | 11  |
| 5 Amortisation/depreciation of intangible assets and property, plant and equipment  |   |
| Amortisation of intangible assets 127,500 Depreciation of property, plant and equipment 23,840  | 81,667<br>25,932                          |
| 151,340   | 107,599                                   |
| Amortisation/depreciation of intangible assets and property, plant and equipment is recognise income statement under the following items: | ed in the                                 |
| Research costs151,340   | 107,599                                   |
| 151,340   | 107,599                                   |
| 6 Financial income  |   |
| Fair value adjustments of financial instruments 2,511,313   | 0   |
| 2,511,313   | 0   |



# Notes to the financial statements

|   | DKK   | 2019                 | 2018                 |
|---|---|----------------------|----------------------|
| 7 | Financial expenses<br>Interest expenses, associates<br>Other financial expenses | 4,795,440<br>225,893 | 2,172,807<br>189,931 |
|   |   | 5,021,333            | 2,362,738            |
| 8 | Tax for the year<br>Estimated tax charge for the year                           | -5,500,000           | -5,500,000           |
|   |   | -5,500,000           | -5,500,000           |

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

# 9 Intangible assets

| DKK   | Acquired<br>intellectuel<br>property |
|---|--------------------------------------|
| Cost at 1 January 2019<br>Additions   | 2,100,000                            |
| Cost at 31 December 2019  | 2,100,000                            |
| Impairment losses and amortisation at 1 January 2019<br>Amortisation for the year | 151,667<br>127,500                   |
| Impairment losses and amortisation at 31 December 2019                            | 279,167                              |
| Carrying amount at 31 December 2019   | 1,820,833                            |
| Amortised over  | 10 - 16 years                        |

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

# 10 Property, plant and equipment

| DKK   | Art              | Fixtures and<br>fittings, other<br>plant and<br>equipment | Total             |
|---|------------------|---|-------------------|
| Cost at 1 January 2019<br>Additions<br>Disposals                        | 24,000<br>0<br>0 | 113,336<br>0<br>0   | 137,336<br>0<br>0 |
| Cost at 31 December 2019  | 24,000           | 113,336   | 137,336           |
| Impairment losses and depreciation at<br>1 January 2019<br>Depreciation | 0                | 45,067<br>23,840  | 45,067<br>23,840  |
| Impairment losses and depreciation at 31 December 2019                  | 0                | 68,907  | 68,907            |
| Carrying amount at 31 December 2019                                     | 24,000           | 44,429  | 68,429            |
| Depreciated over  |                  | 3 - 5 years   |                   |



### Notes to the financial statements

| 1 | 1 | 'n | v | 25 | tı | m | 6 | n | t | ς |
|---|---|----|---|----|----|---|---|---|---|---|
|   |   |    |   |    |    |   |   |   |   |   |

|    | DKK  | _                    | Deposits            |
|----|--|----------------------|---------------------|
|    | Cost at 1 January 2019<br>Additions  |                      | 83,947<br>2,519     |
|    | Cost at 31 December 2019   |                      | 86,466              |
|    | Carrying amount at 31 December 2019  | =                    | 86,466              |
|    | DKK  | 2019                 | 2018                |
| 12 | Other receivables  |                      |                     |
| 12 | VAT<br>Other receivables   | 2,702,299<br>305,693 | 1,358,508<br>33,540 |
|    |  | 3,007,992            | 1,392,048           |
| 13 | Share capital  |                      |                     |
|    | Analysis of the share capital:   |                      |                     |
|    | 50,000 A shares of DKK 1.00 nominal value each 366,301 B shares of DKK 1.00 nominal value each | 50,000<br>366,301    | 50,000<br>366,301   |
|    |  | 416,301              | 416,301             |

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.

The shareholders of the Company have pre-emptive subscription rights within their respective share classes, unless in the case of issue of warrants where there are no pre-emptive subscription rights, as subscription rights in connection with Anti-Solution Protection are solely available to those shareholders holding shares in the share class to be increased.

On 23 November 2016, the Board of Directors decided to partly exercise the authorisation to issue 10,936 warrants.

In 2019 no warrants have been used or issued.

Analysis of changes in the share capital over the past 5 years:

| DKK  | 2019              | 2018                    | 2017                       | 2016                    | 2015             |
|--|-------------------|-------------------------|----------------------------|-------------------------|------------------|
| Opening balance<br>Capital increase<br>Capital reduction | 416,301<br>0<br>0 | 276,557<br>139,744<br>0 | 50,000<br>50,000<br>50,000 | 111,799<br>164,758<br>0 | 0<br>61,799<br>0 |
|  | 416,301           | 416,301                 | 150,000                    | 276,557                 | 61,799           |



#### Notes to the financial statements

### 14 Non-current liabilities other than provisions

| DKK            | Total debt at<br>31/12 2019 | Repayment,<br>next year | Long-term<br>portion | Outstanding debt<br>after 5 years |
|----------------|-----------------------------|-------------------------|----------------------|-----------------------------------|
| Other payables | 338,641                     | 0                       | 338,641              | 0                                 |
|                | 338,641                     | 0                       | 338,641              | 0                                 |

Other payables relates to the accrued holiday allowance from 1 September 2019 to 31 December 2019 under the new Danish Holiday Act, which is presented as long-term payables at 31 December 2019.

## 15 Convertible debt instruments or corresponding rights issued by the Company

|                              | Exchange<br>deadline | Exchange rate | 2019       |
|------------------------------|----------------------|---------------|------------|
|                              |                      |               | DKK        |
| Convertible Ioan principal   | 31-07-2020           | 7.47          | 59,733,259 |
| Fair value element of option | 31-07-2020           | 7.47          | -7,306,753 |
| Amortized interest           | 31-07-2020           | 7.47          | 4,795,440  |
|                              |                      |               | 57,221,946 |

The Company has issued convertible debt instruments totalling EUR 8m. The debt instruments were issued as part of the Company's financial and earn interest on market terms being 8% pro anno resulting in an accrued interest at 31 December 2019 of DKK 2,017,969.

The loan is issued to pursuant to the convertible debt instrument, including any accrued or unpaid interest, falls due for repayment on 31 July 2020.

The fair value of conversion option is estimated using a valuation model. This valuation method requires management to make certain inputs such as the underlying share price, and volatily. The probabilities of the carious estimates within the range can be reasonably assessed and are used in management's estimate of fair value.

# 16 Deferred income

Deferred income consists of payments of grants received that may not be recognised until the subsequent financial year.

### 17 Deferred tax

The Company has a deferred tax asset which amount to DKK 20.1m that are not recognised. As it is uncertain if these income tax losses can be utilised within a foreseeable future, their carrying amount has not been recognised in the financial statements.



### Notes to the financial statements

### 18 Contractual obligations and contingencies, etc.

### Other contingent liabilities

| DKK                          | 2019      | 2018      |
|------------------------------|-----------|-----------|
| Other contingent liabilities | 1,426,000 | 6,283,333 |
|                              | 1,426,000 | 6,283,333 |

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 1,460,000.

### Other financial obligations

Other rent and lease liabilities:

| Rent and lease liabilities | 187,273 | 226,056 |
|----------------------------|---------|---------|
|                            |         |         |

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.

## 19 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2019.