ANNUAL REPORT

2020

Initiator Pharma A/S

"2020 was a transformational year for Initiator Pharma and we look forward to the future with confidence."

www.initiatorpharma.com

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Magnus Persson,
Chairman

Approved by the AGM on May 28th, 2021

Initiator Pharma

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Initiator Pharma A/S

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Initiator Pharma

Initiator Pharma´s vision is to become a leading life science company developing novel therapeutics within the field of mono-amine reuptake transporters targeting CNS-disorders with significant unmet medical needs.

Our current development portfolio contains two programs that are currently in clinical Phase 2 development:

IPED2015 represents a novel treatment paradigm for the treatment of organic Erectile Dysfunction (ED) and will improve the quality of life for the growing number for patients (and their partners) that do not respond or cannot be treated with the current marketed medication. In March we reported the final data from a Phase 2a clinical proof of concept study for IPED2015, documenting statistically and clinically significant effects on patients with severe ED. In November we announced that we had secured a finance agreement with MAC Clinical, covering ca 70% of the costs of a Phase 2b trial planned to be initiated H2:2021.

IP2018 is a drug candidate for the treatment of psychogenic Erectile Dysfunction (ED) and depression. IP2018 was in-lisenced in March 2020 from Saniona and in August we announced the initiation of a Phase 2a clinical proof of concept study in Patients with depression induced ED.

Initiator Pharma is a pharmaceutical company based in Aarhus, Denmark. Our shares are listed on Spotlight Stockmarket (SS:INIT), and as of Dec 31, 2020 we had approx 4,000 shareholders.

2020 IN BRIEF

Q1

- **On March 15th** we reported the final data from the company's Phase 2a study with IPED2015, demonstrating statistically significant and clinically relevant results on key efficacy endpoints in patients with severe ED after a single administration of IPED2015. As previously reported, the Phase 2a study was completed satisfactorily with no observations of critical adverse events.
- **On March 31st** it was announced that we have filed a Phase 2a Clinical Trial Application (CTA) to MHRA, UK, for our candidate drug IP2018. Through the submission of the CTA, we also exercised our option agreement with Saniona for IP2018

Q2

- **On April 27th** it was announced the completion of a directed issue of 555,555 shares and 1,224,490 warrants to Formue Nord, and also proposed a fully guaranteed rights issue of units consisting of in total 1,420,406 shares and 2,130,609 warrants of Series TO2.
- **On June 18th** it was announced that the rights issue of units was subscribed to a total of 387%.
- **On June 29th** it was announded that we had received approval from MHRA in UK for a Phase 2a clinical proof of concept study for IP2018, a candidate drug being developed for the treatment of erectile dysfunction in patients with major depression disorder.

Q3

- **On July 2nd** it was announced that the last day of trading in BTUs issued in connection with the rights issue conducted in Q2, in which a total of 1,420,406 shares and 2,130,609 warrants of series TO 2 were issued was July 7.
- **On July 13th** it was announced that the warrant program 2020/22, comprising a maximum of 434,197 warrants as resolved at the AGM on May 22nd and with a subscription price of SEK 1.33 per warrant had been fully subscribed. Upon vesting, each warrant entitles subscription of one new share at an exercise price of SEK 6.52 on or before 31 December, 2022.
- **On August 21st** we released our first six months 2020 financial report.

Q4

- **On October 1st** it was announced that screening for the Phase 2a trial for IP2018 was ongoing, with first dosing of patients expected shortly.
- **On November 5th** it was announced that we have secured a grant from Innovation Fund Denmark of up to DKK 3.8 mill covering the Phase 2a trial for IP2018.
- **On November 24th** it was announced that the exercise period for the warrants of series TO2.
- **On November 25th** it was announced that we had secured funding for IPED2015 clinical Phase 2b study – signs financing agreement with MAC Clinical Research worth up to 23 SEKM.
- **On December 8th** it was announced that screening is ongoing and first dosing expected soon in Phase 2a trial with IP2018.
- **On December 9th** it was announced that the first patient had been dosed in Phase 2a trial in IP2018.
- **On December 10th** it was announced last day of trading in warrants of series TO2.
- **On December 10th** it was announced that Erik Penser Bank publishes analysis of Initiator Pharma.
- **On December 10th** it was announced the strengthening of the management team and the initiation of our Scientific Advisory Board.
- **On December 11th** it was announced that board and management exercises warrants of series TO2.
- **On December 11th** it was announced that Formue Nord Markedsneutral A/S exercises warrants of series TO2 corresponding to approx SEK 4.6 mill.
- **On December 17th** it was announced that Initiator Pharma receives approximately SEK 8.9 mill through exercise of warrants of series TO2.
- **On December 18th** the summons for an EGM on January 14th were published.
- **On December 23rd** it was announced that board members and management exercises incentive warrants.

Q1

SIGNIFICANT EVENTS AFTER YEAR END

- **On January 14th** it was announced that the EGM had approved the proposed financing agreement with MAC Clinical Research of up to SEKM 23 in the form of a convertible credit arrangement.
- **On April 13 th** it was announced that the board proposes a directed issue and fully guaranteed preferential rights issue totaling SEKM 60 to expand into new orphan indication.
- **On April 15th** the summons for an EGM on May 11 th were published.

Milestones and Financial Highlights

Milestones

Milestones achieved during 2020

- Reported final data from the Company´s Phase 2a proof of concept study for IPED2015 in patients with severe organic Erectile Dysfunction showing statistically significant results on key efficacy endpoints
- Exercised on the option agreement with Saniona for IP2018, a triple monoamine reuptake inhibitor with a profile uniquely suited for the treatment of psychogenic Erectile Dysfuntion and depression
- Raised approx SEKM 19 through a combination of direct and preferential rights issue of shares and warrants.
- Initiated a Phase 2a clinical proof of concept trial for IP2018 in psychogenic Erectile Dysfunction, anticipated to be completed by mid-2021.
- Entered a financing agreement with MAC, Englands largest private CRO for running clinical trials, where MAC provides funding covering around 70% and up to SEKM 23 of the costs of a planned Phase 2b trial in IPED2015. The funding takes form of a convertible loan that can be converted to a fixed share price of SEK 7,50 upon completion of the trial – alternatively the loan is converted into a three year loan (from the completion of the trial) with a 1% annual interest rate.

Upcoming milestones

- Complete the ongoing Phase 2a proof of concept trial for IP2018
- File Clinical Trial Application (CTA) for a Proof of Principle trial in neuropathic pain
- File Clinical Trial Application (CTA) for a Phase 2b trial for IPED2015
- Initiate a Phase 2b trial for IPED2015 during H2:2021
- Initiate a Proof-of-principle trial in neuropathic pain

Key Figures

Income Statement, KDKK	2020	2019	2018
Operating loss	-10 531	-9 339	-12 609
Loss before tax	-10 240	-9 975	-12 703
Loss for the year	**-8 697**	**-8 288**	**-10 297**

Balance Sheet, KDKK	2020	2019	2018
Fixed assets	**11**	**37**	**125**
Current receivables	2 088	3 839	2 713
Cash and cash equivalents	13 504	7 562	14 491
Total assets	**15 603**	**11 438**	**17 328**
Equity	14 409	9 908	16 571
Current liabilities	1 194	1 530	758
Total equity and liabilities	**15 603**	**11 438**	**17 328**

Cash flow, KDKK	2020	2019	2018
Cash flow from operating activities	-8 064	-8 553	-13 583
Cash flow for the year	**5 943**	**-6 929**	**7 321**

Key figures, %	2020	2019	2018
Liquidity ratio	1306%	745%	2270%
Equity ratio	92%	87%	96%

Share data, DKK	2020	2019	2018
Diluted earnings per share	-0,32	-0,34	-0,51
Equity per share	0,52	0,42	0,72
Dividend	0	0	0
Cash flow per share	0,21	-0,29	0,32

Share data, #	2020	2019	2018
Shares outstanding	27 705 728	23 591 375	23 157 178
Diluted shares outstanding	28 574 121	24 459 769	24 025 572

CEO letter

Initiator Pharma's past year has, despite the ongoing Covid-19 pandemic, progressed according to plan with some significant events supporting the continued development of our two main assets, IPED2015 and IP2018, both clinical phase drug candidates in the field of erectile dysfunction (ED). IPED2015 is our most advanced candidate intended for patients suffering from organic ED, and IP2018 is being developed as a combined treatment for both depression and ED. Both represent First in Class treatments within their indication and are expected to improve the quality of life for a growing number of patients who are not responding to, or cannot be treated with, existing drugs on the market. The medical need for a new effective treatment for ED is massive, expected to affect more than 300 million men worldwide by 2025.

"We are delighted that Innovation Fund Denmark has decided to make this investment through their Innobooster program. It is a clear validation of Initiator Pharma's unique candidate drug IP2018 and the need for improved treatment of psychogenic ED. We remain confident that IP2018 will be a breakthrough therapy for psychogenic ED and look forward to demonstrating this in our ongoing phase 2a clinical trial."

Overall, 2020 represented a transformational period for Initiator Pharma in several ways. We have made great progress in the clinical development of IPED2015, establishing Proof of Concept and secured financing for the continued development, enabling us to initiate a clinical Phase 2b study in patients suffering from organic erectile dysfunction. The project portfolio was also strengthened with the clinical asset IP2018, a monoamine reuptake inhibitor for the treatment of psychogenic Erectile Dysfunction ready for phase 2. We're continuously working to optimize our pipeline and broadening the utilization of our assets/compounds outside the ED space, starting with the preclinical spin out projects IPDP2015 and IPNP2015, which are being developed for depression and neuropathic pain.

IPED2015 is our most advanced ED candidate and we were glad to be able to report positive data from a Phase 2a Proof-of-Concept study in March last year. The data strengthened our belief that IPED2015 can become a new treatment method for the large group of patients that do not respond to the currently marketed drugs in the PDE5i class, such as Viagra and Cialis. Hence, we were delighted to sign a financing agreement in November, aiming to fund the upcoming clinical Phase 2b intercourse study. The deal is a convertible credit agreement worth up to 23 MSEK, with UK's largest independent clinical development organization, MAC Clinical Research. It gives MAC the right to convert the credit into Initiator Pharma shares up to approximately 23 MSEK at a share price of 7.5 SEK, equivalent to a premium of more than 70 percent compared to the share price day of signing the agreement.

The MAC deal is favorable for Initiator Pharma in multiple ways:

1. We get the financial support needed to conduct this vital trial of our lead candidate drug.
2. It gives us a potential new and committed large shareholder.
3. We do not give away the substantial potential upside we see in the company at the current valuation.

The Phase 2b study will be conducted at multiple sites in the UK, and the plan is to initiate the study in H1 2021, pending the development of the Covid-19 situation. The final design of the study is still pending and requires approval from MHRA. Initiator Pharma and MAC utilize the learnings from the previous Phase 2a Proof-of-Concept study to design a solid Phase 2b intercourse study, expected to be

completed in the second half of 2022. In Phase 2b study, the clinical endpoint, besides safety and tolerability, will also include EIIRF-questionaries (International Index of Erectile Function (IIEF)).

In March last year, we exercised the option agreement with Saniona securing Initator's control of IP2018 after filing the Clinical trial application to MHRA. IP2018 is a unique drug candidate that targets a clear unmet medical need as it is differentiated from all existing anti-depressants and drugs for psychogenic ED. Up to 68 percent of patients with major depressive disorder suffer from sexual dysfunction, highlighting a significant unmet medical need.

IP2018 is since December being evaluated in a Phase 2a clinical trial in psychogenic sexual dysfunction, with top-line data expected end of H1 2021. In November, we received an Innobooster grant from Innovation Fund Denmark to co-fund the trial with up to 3.8 MDKK.

In addition to the financing from Innovation Fund Denmark and MAC, we have in 2020 successfully carried out a rights issue that was significantly oversubscribed, as well as a directed issue of shares and warrants to Formue Nord. All in all, together with the SEK 8.9 million before issue costs that we received in connection with the warrant exercise in December, Initiator Pharma now has the resources needed to complete the clinical phase 2a study for IP2018.

The development of Initator's portfolio will continue as we're exploring the application and unique therapeutic properties of our monoamine reuptake inhibitors in ED, but also in a broader indication landscape including our preclinical projects in depression and pain. With strong safety profiles based on clinical data, we see a high potential and a good opportunity to further leverage our existing assets.

To facilitate the portfolio development, we have strengthened the management team through the recruitment of Dr. Allan Wehnert, as Senior Vice President, Clinical and R&D Strategy and Portfolio Management. The company's Board of Directors has also been strengthened with the appointment of Annette Colin as new board member in February 2021, adding further life science experience and deal making skills to the company .

Furthermore, Initiator Pharma's Scientific and Clinical Advisory Board (SCAB) was initiated in December by engaging the prominent Sexual Medicine experts Dr. Irwin Goldstein and Mrs. Sue Goldstein.

We now have a team of internationally renowned experts in place with the expertise and capabilities to deliver on our goals. With a strategic review ongoing, aiming to set the direction for the development of our assets and optimize shareholder value, I'm looking forward to revert with further details on our progress during 2021. I am happy with what we have achieved so far and look forward to the future with confidence.

Goals

Initiator Pharma's goal is to progress novel drug candidates toward the market in a cost and time effective way, for the benefit of both patients in need of improved medical therapies and for our shareholders.

Strategy

Our strategy is to identify promising drug candidates focused on CNS disorders with significant unmet medical needs that are in late preclinical and early clinical development, and rapidly progress these candidates through clinical Proof-of-Concept studies to the point where we expect to enter partnerships for late-stage clinical development.

Business model

The company aims to commercialize its research efforts through the following 2 business models:

- By internal development of selected programs through the early phases of drug development before out-licensing to pharmaceutical companies who will take over the further development of Initiator Pharma's programs and typical with upfront payments, milestone and royalty payments on product sales to Initiator Pharma.
- Through early stage research and development collaboration with pharmaceutical companies who will fund the research and development activities and pay upfront, milestones and royalty payments on product sales to Initiator Pharma.

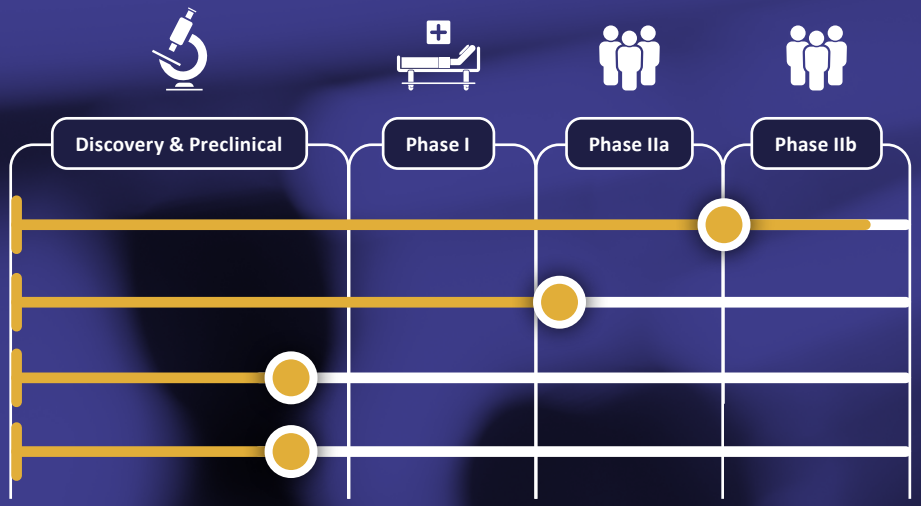
Initiator Pharma aims to progress our portfolio of drug candidates to key value inflection points, where we anticipate significant partnering interest from international pharma industry for the further development of our drug candidates.

Initiator Pharma is employing a virtual organization model in order to maximize speed and flexibility while minimizing development costs. With the exception of CEO the management team is on consultancy contracts with the Company. The bulk of the research, drug development and the regulatory work will be outsourced via contracts with Contract Research Organizations (CROs). The work is conducted under the direction and supervision of Initiator Pharma.

Project portfolio

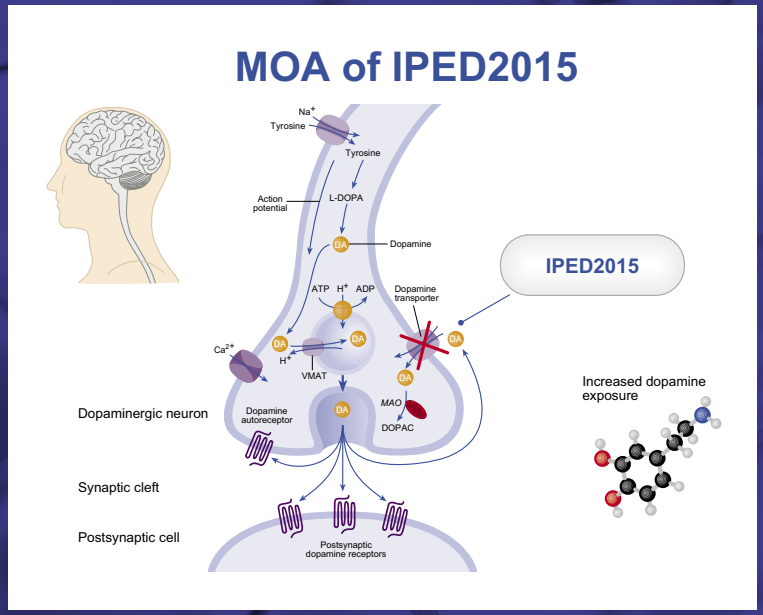
Initiator Pharma currently has a portfolio of four projects, of which two are in clinical development and two are in preclinical development.

PROGRAM	PROFILE	INDICATION
IPED2015	DAT (SERT/NET)	ED (Organic)
IP2018	SERT>DAT>>NET	ED (Psychogenic)
IPDP2015	DAT (SERT/NET)	Depression
IPNP2015	DAT (SERT/NET)	Neuropathic Pain



All four drug candidates belong to the drug class known as monoamine reuptake inhibitors (MRIs). Molecules in this class act as a reuptake inhibitors of one or more of the three major monoamine neurotransmitters serotonin (SERT), norepinephrine (NET), and dopamine (DAT) by blocking the action of one or more of the respective monoamine transporters. This in turn results in an increase in the synaptic concentrations of one or more of these neurotransmitters and therefore an increase in monoaminergic neurotransmission.

The monoaminergic systems, i.e., the networks of neurons that use monoamine neurotransmitters, are involved in the regulation of processes such as emotion, arousal, and certain types of memory. The monoamines balance profile have very differentiated effects and physiological impact.



IPED2015

Initiator Pharma's most progressed asset is IPED2015, is a novel drug candidate for the treatment of patients suffering from organic Erectile Dysfunction (ED) that do not respond to the currently marketed drugs in the PDE5i class (e.g. Viagra®, Cialis®, Levitra®). IPED2015 - by having a dual action, both a central effect initiating erection and a peripheral effect potentiating erection through smooth muscle relaxation - is unique and aimed for treatment of ED in patients suffering from ED due to metabolic syndrome and diabetes.

Summary of the completed Phase 2a clinical proof of concept study

In March 2020 we announced the final data from the successful Phase 2a Clinical Proof of Concept study for IPED2015.

The Phase 2a study included twelve patients suffering from severe ED who were enrolled after a thorough selection and screening process and dosed with a single dose of IPED2015 and placebo in a cross-over study design. The patients were enrolled to the MAC Phase I unit, Manchester, UK and in-housed during the dosing and observation period. Efficacy assessment was done with the RigiScan device with stimulus challenge assessment (Erotic Movie presentation) to assess penile rigidity and tumescence. RigiScan is a state-of-the-art model to evaluate erectile function. Safety and PK was also assessed during the trial.

The study demonstrated statistical significant efficacy data on ED. Besides, there has been no reporting of critical safety observations which is in line with the previously reported results from the Phase I trial in healthy volunteers.

Future development plans for IPED2015

On November 25th we announced a financing agreement with MAC Clinical Research Ltd covering the continued development of IPED2015 for the treatment of severe ED. Within the agreement, MAC Clinical Research (MAC) will take on the cost, up to 23 MSEK, for conducting a clinical Phase 2b intercourse study for IPED2015 in patients suffering from organic erectile dysfunction, not responding to the currently marketed drugs in the PDE5i class (e.g. Viagra®, Cialis®,Levitra®). Upon the full completion of the study, MAC has the right to convert the accrued debt into Initator Pharma shares at a share price of 7.5 SEK, equivalent to a premium of more than 70 percent compared to the share price at the day of signing the agreement.

The Phase 2b study will be conducted by MAC Clinical Research at multiple sites in the UK and is planned to be initiated in H1 2021 pending the development of Covid-19 situation. The final design of the study is still pending and requires approval from MHRA. Initiator Pharma and MAC Clinical Research are utilizing the learnings from the previous Phase 2a Proof-of-Concept study to design a Phase 2b intercourse study that also will have EIIRF-questionares as clinical end point. The study is expected to be completed in the the second half of 2022.

Erectile Dysfunction (ED) Market

The current number of ED patients is estimated to about 150 mio men worldwide and a number that is estimated to increase to more than 300 mio by 2025. About 30-40% of these patients will not respond to the current treatment and represent a significant unmeet medical need. This is exactly our primary target group and will clearly distinguish us form the PDE5i drugs, where patent expiry results in increasing price pressure from generics. In 2015 the ED market generated about 4 bn USD and Initiator Pharma strongly believes that targeting the PDE5i non-responders will allow us to receive premium pricing for IPED2015 and thereby generate substantial commercial value for Initiator Pharma.

IP2018

In March 2020 we announced that we had exercised an option agreement for in-licensing IP2018, a clinical stage compund, from Saniona.

IP2018 is a monoamine reuptake inhibitor for the treatment of psychogenic Erectile Dysfunction (mainly caused by anxiety and depression) primarily targeting the serotonin followed by the dopamine system. IP2018 is different from our frontrunner IPED2015 for organic erectile dysfunction (mainly caused by diabetes and age), primarily targeting the dopamine system.

- Due to the unique profile, IP2018 will, if successful, treat patients suffering major depressive disorder where the majority also suffer from comorbid sexual dysfunction or treatment-emergent sexual dysfunction.
- IP2018 has demonstrated an excellent safety profile in a single dose study and the proof of mechanism PET study, confirming the safety and the mechanism of action of our extensive package of preclinical data.
- IP2018 is efficacious in animal models of depression (forced swim and tail suspension tests) and erectile function (intracavernosal pressure to mean arterial pressure ratio) as well as in several mouse anxiety models.
- IP2018 is targeting a clear unmet medical need.

IP2018 raises the serotonin levels in the brain, and in its preclinical trials, Initiator Pharma has shown that IP2018 has an effect on both depression and erectile function, which is a clear differentiation from other antidepressants on the market today. In the planned clinical phase 2a trial, Initiator Pharma intends to primarily confirm the effect of IP2018 on the erectile function of younger depressed patients and thereafter, if the outcome is positive, follow up with further clinical safety trials on multiple dosage parameters. The company intends to position IP2018 as a daily treatment for patients suffering from depression and sexual dysfunction and/or as a supplement to treat erectile dysfunction in patients with medically induced sexual dysfunction.

Depression is a mood disorder that affects feelings, thoughts, and behaviour and leads to a variety of emotional and physical illnesses. If left untreated, depression significantly reduces quality of life and may ultimately result in premature death from medical conditions or suicide. The main treatments for depression are drugs that modulate the levels of serotonin, noradrenaline and dopamine by either inhibiting the reuptake of these signalling substances (“reuptake inhibitors”) or by influencing their degradation. A key side effect of the currently available antidepressants is their significant impact on male sexual function (desire-arousal-excitement-orgasm). In a survey, it was observed that 41.7 % of men discontinued psychiatric medications due to perceived sexual side effects (Rosenberg KP et al “A survey of sexual side effects among severely mentally ill patients taking psychotropic medications: impact on compliance”, J. Sex Marital Ther. 2003;29(4):289-96). Between 14 and 35 % of young men experience ED. ED can be caused by psychological, neurological, or lifestyle issues. ED can also be the result of side effects of specific medications (including some antidepressants), performance anxiety, depression, schizophrenia, and other psychological disorders.

Anti-depression Market

Major depressive disorder is one of the main causes of disability worldwide due to its high prevalence and associated impairments. Lifetime prevalence is 14.3 % in high-income countries. The Global Burden of Disease study showed a 37.5 % burden increase due to major depressive disorder from 1990 to 2010, and major depressive disorder is the second leading cause of Disability Adjusted life years in 2020. About 13 % of all Americans take anti-depression medication summing up to more than 23 million prescriptions per year (National Center for Health Statistics). The global revenue for antidepressants is forecasted to reach $18 bn in 2020. The biggest players, accounting for more than 60% of the antidepressant drugs sold, are Pfizer, Eli Lilly, GlaxoSmithKline, AstraZeneca and H. Lundbeck A/S - all facing a significant patent cliff over the next few years, with revenues projected to be hit hard by generics and biosimilars. All current marketed drugs have to varying degree been associated with erectile dysfunction emphasising the need to develop an attractive and superior alternative.

The Initiator Pharma share

The share, share capital and ownership structure

Initiator Pharma is listed on Spotlight Stockmarket in Sweden, under the ticker code INIT. At December 31, 2020, the number of shares outstanding amounted to 27,705,728. The company has as of December 31 a total of 868,393 outstanding warrants, representing 3.2% of the number of issued shares.

The closing share price on December 31 was SEK 4.80, down -40% for the year. The market capitalization of the company on December 31 was approx SEK 133 million. During 2020 the average daily trading volume was 68,200 shares, and for the full year the traded volume was 17.2 million shares or 62% of the issued shares.

At December 31, 2020 the company had around 4,000 shareholders, with the 10 largest shareholders holding 32% of all outstanding shares:

Top 10 shareholders as of December 31, 2020

Shareholder	Number of shares	Shares %
Försäkringsaktiebolaget, Avanza Pension	1 651 602	6,03%
Formue Nord Markedsneutral	1 279 734	4,67%
BNY Mellon SA/NV (Former BNY)	1 101 853	4,02%
Ålandsbanken i ägares ställe	899 191	3,28%
Claus Olesen Holding APS	692 738	2,53%
UBS Switzerland AG	629 514	2,30%
Mikael Södergård Thomsen APS	627 196	2,29%
DanPet AB	619 622	2,26%
Nordnet Pensionsförsäkring AB	590 311	2,16%
Peters, Dan	544 031	1,99%
Other shareholders	18 745 822	68,46%
Total	**27 381 614**	**100,00%**

NB: The above table does not include the exercise of 324,114 incentive warrants that were registered in VPC on January 14th, 2021.

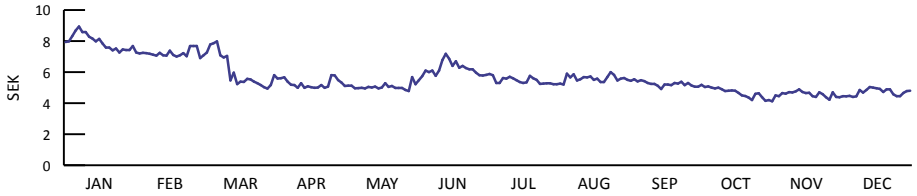
Shareholdings per size

Shareholding	Number of shareholders	Shareholding and votes	Shares (%)
1 - 500	1 936	291 521	1,06%
501 - 1,000	467	359 369	1,31%
1,001 - 5,000	942	2 308 718	8,43%
5,001 - 10,000	248	1 806 085	6,60%
10,001 - 15,000	124	1 467 329	5,36%
15,001 - 20,000	64	1 096 656	4,01%
20,001 -	176	18 690 428	68,26%
Total	**3 957**	**27 381 614**	**100,00%**

Shareholders by geography

Shareholders by country	Number of shareholders	Number of shares	Share of votes
Sweden	3 124	16 265 451	59,40%
Nordics, excl Sweden	771	7 838 929	28,63%
Europe, excl Nordics	48	2 975 487	10,87%
USA	3	65 229	0,24%
Other	13	236 518	0,86%
Total	**3 959**	**27 381 614**	**100,00%**

Initiator Pharma share price 2020



Report from the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer of Initiator Pharma (publ), corporate identity number 37663808, hereby present the Annual Report for the calendar year 2020.

Initiator Pharma is a limited liability company registered and headquartered in Aarhus, Denmark. The address of the head office is Lyngsiesvej 18, 8230 Åbyhøj, Denmark. Initiator Pharma incorporated on May 2, 2016 and was listed on Spotlight Stockmarket on March 16, 2017.

ABOUT INITIATOR PHARMA

Initiator Pharma is a research and development company focusing on the development of innovative drugs targeting key unmet medical needs within the central and peripheral nervous system. The company´s research is focusing on monoamine reuptake inhibitors, molecules that are affecting the synaptic concentrations of neurotransmitters such as dopamine, serotonin and noradrenaline.

The Company´s lead drug candidate, IPED2015 is targeting the medical condition organic Erectile Dysfunction (oED), and specifically patients with ED that are non-responsive to drugs within the PDE5i class, including the approved drugs Viagra®, Cialis® and Levitra®. In March 2020 we reported the final and positive results of a Phase 2a proof-of-concept, and we are currently planning a Phase 2b trial, a trial that is 70% financed through a finance agreement with MAC Clinical Research, the leading private CRO in UK.

In the 2nd half of 2020 we advanced our second clinical program, IP2018, into a Phase 2a trial in psychogenic Erectily Dysfunction (pED), and we expect read-out from this trial in mid-2021.

FINANCIAL DEVELOPMENT IN 2020

Revenue and results of operation

As a development Company Initiator Pharma generated no revenues in the financial year 2020, unchanged from 2019. The company recognized an operating loss of KDKK 10,531 for the full year 2020, compared to KDKK 9,339 for 2019.

The increase in operating costs for the full year compared to the same period last year reflects increased costs related to the completion of the Ph2a clinical trial for IPED2015 as well as to preparations and initiaton of the ongoing Ph2a clinical trial for IP2018.

External R&D costs in 2020 amounted to to TDKK 5,194, compared to 6,259 in the same period in 2019.

Financial position

The equity as of December 31, 2020 was TDKK 14,409. Cash and cash equivalents amounted to TDKK 13,504 as of December 31, 2020. Total assets as of December 31, 2020, were TDKK 15,603.

Cash flow

The operating cash flow for the financial year 2020 was TDKK -8,064, incl a positive change in working capital of TDKK 463. Cash flow from investment activities was TDKK 0 and cash flow from financing activities was TDKK 14,007.

In April 2020 we carried out a direct placement of 555,555 share to Formue Nord Markedsneutral A/S as well as 1,224,490 TO2 warrants, raising a total of SEKM 3.0 (approx DKKM 2.1) before issuing costs. At the same time the board proposed to the AGM a rights issue of up to 1,420,406 shares and 2,130,609 TO2 warrants.

In June we completed the rights issue which was subscribed to a total of 387%, issuing 1,420,406 shares and 2,130,609 TO2 warrants and raising SEKM 7.0 (approx DKKM 5.0) before issuing costs.

On December 17th 2020 we announced that a total of 1,814,278 TO2 warrants were exercised, raising approximately SEKM 8.9 (approx DKKM 6.4) before issuing costs.

The Annual General Meeting on May 22nd approved an incentive program totalling 434,197 warrants. On July 13th we announced that the warrant program had been fully subscribed at a subscription price of SEK 1.33 per warrant, raising SEKM 0.5 (approx DKKM 0.3).

On December 23rd we announced that board members and management had exercised a total of 324,114 warrants for subscription of new shares under the warrant program 2018/2020 of a total of 434,197 warrants, approved by the AGM on May 25th 2018. The subscription price for the shares was SEK 3.94 per share, raising SEKM 1.3 (approx DKKM 0.9). The non-exercised warrants under this program lapsed on December 31, 2020.

Other

In November we announced that we had entered a convertible credit agreement with MAC Clinical Research for the partial financing of the planned Phase 2b trial for the IPED2015 program. Through the agreement MAC Clinical Research will fund up to SEKM 23 (approx DKKM 17), representing approx. 70% of the costs of the study, in the form of convertible credit. The convertible credit can be converted into shares at a share price of SEK 7.50 upon the completion of the study. In the event MAC Clinical Research decides not to convert the credit into shares, the convertible credit is replaced by a three-year loan facility carrying 1% interest rate per year.

POTENTIAL FINANCIAL IMPACT OF COVID-19

The board and management has carefully reviewed the potential impact of the covid-19 pandemic on Initiator Pharma´s ongoing operations and financial outlook. The company currently has one ongoing clinical trial, a Phase 2a proof-of-concept trial for IP2018, where we on December 9th announced that the first patient had been dosed as well as plans for initiation of a Phase 2b trial for IPED2015 during 2nd half 2021.

Depending on the length and severity of the covid-19 pandemic the board and management believe the main future risks are related to:

- Negative impact on the enrollment in the ongoing Phase 2a proof-of-concept trial for IP2018, and hence delayed reporting of headline results from the trial.
- Potential delay of the start-up of a Phase 2b clinical trial for IP2015, planned for 2nd half 2021.
- Potential risk that it will be difficult to secure additional funding on acceptable terms for the further development of the company and our projects.

The board and management will continue to carefully monitor the covid-19 pandemic and its potential for impacting our operations and development plans.

RISKS

Initiator Pharma is exposed to various kinds of risks that may impact the Company's results and financial position. The risks can be divided into operational risks and financial risks.

Operational risks

Financing needs and capital

Initiator Pharma´s research and development activities involve significant costs for the Company. Initiator Pharma is thus depending on that capital can be accessed to finance its planned activities. Any delays in product development could affect the cash flow negatively. There is a risk that the Company is unable to raise the additional capital needed. This may lead to the development being temporarily stopped or that Initiator Pharma is required to operate at a lower speed than wanted, which may affect the Company´s operations negatively. In case Initiator Pharma is unable to raise capital there is a risk that the Company cannot further develop its business. If the Company cannot finance the operations, there is a risk that Initiator Pharma´s drug development stops.

Suppliers

Initiator Pharma has entered an agreement with the Indian service provider Syngene regarding the production and preclinical development of IPED2015. The Company will enter less comprehensive agreements with other suppliers in order to develop IPED2015. There is a risk that one or more of Initiator Pharma's suppliers choose to discontinue its cooperation with the Company, which could have a negative impact on the business. There is also a risk that Initiator Pharma's suppliers do not fully meet the quality standards set by the Company. There is also a risk that the establishment of new suppliers or replacement of existing suppliers becomes more costly and/or takes longer than the Company estimates, which may negatively affect the Company's results and financial position.

Key individuals and employees

Initiator Pharma's key individuals and employees have high competence and long experience in the Company's business. A loss of one or more key individuals or employees may have negative consequences for the Company's operations and results. It is not possible to fully protect against unauthorized disclosure of information, with the risk that competitors can gain access to and benefit from the know-how developed by Initiator Pharma, which could be detrimental to the Company. There is a risk that the loss of one or more key in- dividuals, employees and consultants leads to delays in the Company's work to develop drugs. Any delays can cause increased costs for the Company. Thus, there is also a risk that delays could negatively affect the Company's results.

Competitors

Initiator Pharma is a research and development company engaged in pharmaceutical development of drugs to be used for erectile dysfunction, depression and pain. Initiator Pharma's research is focused in the area of monoamine reuptake inhibitors. The Company's drug research will be conducted primarily through its own pharmaceutical development in the early phase and through potential cooperations with other major pharmaceutical companies. Some of the Company's competitors are multinational companies with large financial resources. A comprehensive investment and product development from a competitor may result in less favorable market conditions for Initiator Pharma. Furthermore, companies with global operations, which in the current situation are working in related areas, can also establish themselves within the Company's business. Increased competition could lead to could lead to negative sales and earnings effects for the Company in the future.

Economic development and currency risk

External factors such as inflation, currency and interest rate fluctuations, supply and demand as well as economic recessions and booms may have an impact on operating costs, sales prices and share valuations. A significant share of Initiator Pharma's development costs is in international currencies. Exchange rates can change substantially. There is a risk that Initiator Pharma's future operating costs, revenue and share valuation may be negatively affected by these factors, which are beyond the control of the Company.

Political risk

The Company, through its pharmaceutical development operates in a number of different countries and can therefore be affected by political and economic uncertainties in these countries. There is a risk that Initiator Pharma is negatively affected by changes in laws, taxes, duties, exchange rates and terms for foreign companies. The Company may also be negatively affected by any domestic policy decisions. The above could have negative consequences for the Company's research in pharmaceutical development and can thus affect the Company's future results and financial position.

Patents and other intellectual property

Currently Initiator Pharma holds 3 different patent families. There is a risk that any future patent applications will not be granted and there is also a risk that an approved patent will not constitute a total commercial protection in the future. Patents have a limited life. If the Company is forced to defend future patent rights against a competitor, this will involve considerable costs, which may negatively affect the Company's research, results and financial position. Furthermore, in the industry Initiator Pharma operates there is always the risk that the Company may or is alleged to infringe patent held by third parties. Other actors' patents may also limit the ability of one or more of the Company's future partners to freely use the product or production method concerned. The risk associated with patent protection implies that the outcome of such disputes is difficult to predict. Negative outcome of litigation relating to intellectual property rights may lead to loss of protection, prohibition to continue to use the right or obligation to pay damages. In addition, the costs of litigation, even in case of a favorable outcome for Initiator Pharma, may be substantial, which could negatively affect the Company's results and financial position. The above could imply difficulties or delays in the commercialization of future products and thus also difficulties in generating revenue.

Development expenditure

Initiator Pharma will continue to develop drug candidates in its operating area. Time and cost aspects of drug development can be difficult to determine in advance with accuracy. This creates the risk of a planned product development program becoming more costly than planned, which may affect the Company's future results and financial position.

Financial risks

Financial risks relate to a potential negative impact on the financial position resulting from changes in the financial risk factors. The Board of Directors is ultimately responsible for the exposure, management and monitoring of the Company's financial risks. The Board of Directors sets the framework that applies to the exposure, management and monitoring of the financial risks and this framework is evaluated and revised yearly. The Board of Directors can decide on temporary departures from its predetermined framework. Below is a brief description of the financial risk factors that are deemed the most significant for Initiator Pharma.

Currency risks is the risk that the fair value of future cash flows fluctuate because of changed exchange rates. Exposure to currency risk is primarily sourced from payment flows in foreign currency and from the translation of balance sheet items in foreign currency, as well as upon the translation of foreign subsidiaries' income statements and balance sheets to the Company's reporting currency, which is DKK.

Interest risk is the risk that fair value or future cash flows fluctuates as a result of changed market interest rates.

Liquidity risk is the risk that the Company encounters difficulties in satisfying commitments related to the Company's financial liabilities.

Credit risk is the risk that a counterparty in a transaction generates a loss for the Company by being unable to satisfy its contracted obligations. Credit risk may also arise if the Company's surplus liquidity is invested in various types of financial instrument.

Events after the balance sheet date

On January 14th the EGM approved the proposed convertible financing agreement with MAC Clinical Research, covering up to SEK 23 million (approx. DKK 17 million) of the clinical trial costs for the planned Phase 2b trial with IPED2015 in Erectile Dysfunction.

On April 13th it was announced a proposal for a directed issue and fully guaranteed preferential rights issue of total SEK 60 million (approx DKKM 43) to expand into new orphan drug indication, led by long-term investors Linc AB and Adrigo Asset Management AB.

The Board of Directors and Auditor

MAGNUS PERSSON (b. 1960)

Chairman and member of the Board of Directors since 2016

Education: Medical doctor and Ph.D. from the Karolinska Institute

No. of shares held: 215 018 **Warrants held:** 138 943

CLAUS OLESEN (b. 1974)

Member of the Board of Directors and CEO of Initiator Pharma since 2016 and co-founder of the Company

Education: Ph.D. in Physiology and Biophysics from Aarhus University

No. of shares held : 917 438 **Warrants held:** 173 677

HENRIK MOLTKE (b. 1958)

Member of the Board of Directors since 2016

Education: Master's degree in international economics and strategic management from the Copenhagen Business School

No. of shares held: 102 125 **Warrants held:** 47 762

ANNETTE COLIN (b. 1965)

Member of the Board of Directors since 2021

Education: Business administration and law, Lund University.

No. of shares held : 0 **Warrants held:** 0

PETER HOLM (b. 1974)

Member of the Board of Directors since 2016

Education: Ph.D. in biochemistry from the Karolinska Institute and a Master's degree in chemistry from the University of Linköping

No. of shares held: 0 **Warrants held:** 0

Auditor: Deloitte Statsautoriseret Revisionspartnerselskab.

Auditor in charge: Jens Sejer Pedersen.

Address: Deloitte Statsautoriseret Revisionspartnerselskab, Weidekampsgade 6, 2300 Copenhagen S, Denmark

Management

CLAUS OLESEN (b. 1974)

Member of the Board of Directors and CEO of Initiator Pharma since 2016 and co-founder of the Company

Education: Ph.D. in Physiology and Biophysics from Aarhus University

No. of shares held : 917 438 **Warrants held:** 173 677

ULF SIMONSEN (b. 1963)

CMO of Initiator Pharma A/S since 2016 and co-founder of the Company

Education: Medical doctor (Aarhus University) and Ph.D. in Physiology (Complutense University, Madrid). Currently Professor of Pharmacology and head of Department of Pharmacology at Aarhus University.

No. of shares held: 590 802 **Warrants held:** 125 917

TORGEIR VAAGE (b. 1964)

CFO of Initiator Pharma A/S since 2016

Education: Ph.D. in business administration from UC Berkeley and master's degree from the Norwegian School of Economics.

No. of shares held: 254 948 **Warrants held:** 156 308

DAN PETERS (b. 1961)

CTO of Initiator Pharma since 2016 and co-founder of the Company.

Education: Ph.D. in Organic Chemistry (University of Lund). Previously with NeuroSearch, heading their monoamine reuptake inhibitor program. Peters has published more than 70 scientific papers and holds more than 100 patents.

No of shares: 1 215 757 **Warrants held:** 69 478

MIKAEL THOMSEN (b. 1968)

CSO of Initiator Pharma A/S since 2016 and co-founder of the Company

Education: Ph.D. in Pharmacology and Toxicology (University of Copenhagen) and two M. Sc. degrees in Pharmacy and Human Biology (from University of Pharmaceutical Sciences, Copenhagen and University of Copenhagen, Medical Faculty).

No. of shares held: 636 056 **Warrants held:** 156 308

Financial reports

Profit & Loss Statement

(KDKK)	Notes	2020	2019
Gross loss		-9 299	-8 366
Staff costs	1	-1 206	-886
Depreciation and write-downs	2	-26	-87
Operating profit/loss		**-10 531**	**-9 339**
Other financial expenses		291	-636
Profit after financial items		**-10 240**	**-9 975**
Tax	3	1 543	1 687
Profit/loss for the year	4	**-8 697**	**-8 288**
No of shares, issued		27 705 728	23 591 375
No of shares, diluted		28 574 121	24 459 769
Weighted average number of shares		27 375 419	24 242 671

Balance Sheet on December 31, 2020

ASSETS

(KDKK)	Notes	2020	2019
Patents, acquired rights		11	34
Intangible assets	5	**11**	**34**
Other fixtures and fittings, tools and equipment		0	4
Property, plant and equipment	6	**0**	**4**
Fixed assets		**11**	**37**
Other receivables		487	1 286
Income Tax receivable		1 543	1 687
Contributed capital in arrears	7	58	866
Current receivables		**2 088**	**3 839**
Cash and cash equivalents	8	**13 504**	**7 562**
Current assets		**15 592**	**11 401**
Assets		**15 603**	**11 438**

EQUITY AND LIABILITIES

(KDKK)	Notes	2020	2019
Contributed capital	9	2 909	2 477
Retained earnings		11 500	7 431
Equity		**14 409**	**9 908**
Trade payables		666	1 141
Other payables		528	389
Current liabilities other than provisions		**1 194**	**1 530**
Liabilities other than provisions		**1 194**	**1 530**
Equity and liabilities		**15 603**	**11 438**

Statement of changes in equity for 2020

(KDKK)	Contributed capital	Retained earnings	Total
January 1, 2020	**2 477**	**7 431**	**9 908**
Increase of capital	432	12 353	12 785
Issue of warrants		414	414
Profit/loss for the year		-8 697	-8 697
December 31, 2020	**2 909**	**11 501**	**14 409**

Statement of cash flow

(KDKK)	Notes	2020	2019
Operating profit/loss		-10 531	-9 339
Amortisation, depreciation and impairment losses		26	87
Changes in working capital	10	463	-1 072
Cash flow from ordinary operating activities before financial items		**-10 042**	**-10 323**
Interest income paid		291	-636
Income tax refunded/(paid)		1 687	2 406
Cash flow from operating activities		**-8 064**	**-8 553**
Investing activities			
Investments in intangible assets		0	0
Cash flow from investing activities		**0**	**0**
Financing activities			
New share issue		13 593	1 351
Issue of warrants		414	273
Cash flow from financing activities		**14 007**	**1 625**
Increase/decrease in cash and cash equivalents		**5 943**	**-6 929**
Cash and cash equivalents at the end of period		**13 504**	**7 562**

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of raw materials and consumables and external expenses.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets as well as equipment.

Other financial income

Other financial income comprises #dividends etc received on other investments, interest income, #including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, payables and transactions in foreign currencies etc.

Tax on profit/loss for the year

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

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

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

Property, plant and equipment
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment 3 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Contributed capital in arrears consists
Contributed capital in arrears consists of capital subscribed, but not paid up, which is recognised as a separate amount receivable in assets and a separate reserve in equity (gross method). The amount receivable is measured at amortised cost.

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.

Notes to the financial statements

NOTE 1 - Staff costs

	2020 (KDKK)	2019 (KDKK)
Wages and salaries	1 198	882
Other social security costs	2	1
Other staff costs	6	3
Staff costs	**1 206**	**886**
Average number of employees	1	1

	Remuneration of management 2020 (KDKK)	Remuneration of management 2019 (KDKK)
Total amount for management categories	1 198	921
Staff costs	**1 198**	**921**

NOTE 2 - Depreciation, amortisation and impairment losses

	2020 (TDKK)	2019 (TDKK)
Amortisation of intangible assets	22	22
Depreciation of property, plant and equipment	4	65
Depreciation and write-downs	**26**	**87**

NOTE 3 - Tax on profit/loss for the year

	2020 (KDKK)	2019 (KDKK)
Current tax	-1 543	-1 687
Adjustment concerning previous years	-1	-1
	-1 544	**-1 686**

NOTE 4 - Proposed distribution of profit/loss

	2020 (KDKK)	2019 (KDKK)
Retained earnings	-8 697	-8 288
	-8 697	**-8 288**

NOTE 5 - Intangible assets

(TDKK)	Acquired rights
Cost beginning of year	112
Cost end of year	**112**
Amortisation and impairment losses beginning of year	-78
Amortisation for the year	-22
Amortisation and impairment losses end of year	**-101**
Carrying amount end of year	**11**

NOTE 6 - Property, plant and equipment (KDKK)	Other fixtures and fittings, tools and equipment
Cost beginning of year	196
Cost end of year	**196**
Depreciation and impairment losses beginning of the year	-192
Depreciation for the year	-4
Depreciation and impairment losses end of the year	**-196**
Carrying amount end of year	**0**

NOTE 7 - Contributed capital in arrears

A number of shareholders has on December 23, 2020 excercised their warrants. Full payment has taken place in the beginning of January 2021.

NOTE 8 - Cash

Total cash funds amounts to 13,504 t.kr, of which 200 t.kr is pledged as security for the guarantee provided by the Company's bank.

NOTE 9 - Share capital	Number	Nominal value (KDKK)
Shares	27,705,728	2 909
	27,705,728	**2 909**

The company has an established a warrant program, approved by the AGM in 2019 and in 2020. The purpose of the warrant program is to align the long-term incentives of board members, management and key consultants with those of our shareholders. The warrant programs currently outstanding have a ceiling of 868 393 warrants representing 3.2% of outstanding shares:

Year approved	Number of warrants	Subscription price	Pct of issued shares	Exercise price	Exercise deadline
AGM 2019	434 197	SEK 0.89	1.6%	SEK 8.40	Dec 31, 2021
AGM 2020	434 196	SEK 1.33	1.6%	SEK 6.52	Dec 31, 2022
Total	**868 393**		**3.2%**		

The company has entered a financing agreement with MAC Clinical Research through which MAC Clinical Research will cover up to SEK 23 mill of the clinical trial costs for a planned Phase 2b trial for IPED2015, the company´s lead program, through a convertible credit agreement. The agreement gives MAC Clinical Research the right to convert the credit into Initiator Pharma shares up to approximately 23 MSEK at a share price of 7.5 SEK upon the full completion of a planned Phase 2b study.

If fully utilized the agreement gives MAC Clinical Research the right to convert the credit into 3,058,667 shares each of a nominal value of DKK 0.105, representing 11.0% of issued shares as of Dec 31, 2020, upon completion of the study.

If MAC Clinical Research decides not to convert the credit upon completion of the study, the credit is converted into long-term debt carrying 1% annual interest and payable in full 3 years after the completion of the study.

NOTE 10 - Change in working capital (KDKK)	2020	2019
Increase/decrease in receivables	798	-1 844
Increase/decrease in trade payables etc	-335	772
Change in working capital	**463**	**-1 072**

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Initiator Pharma A/S for the fiscal year 01/01/2020 - 12/31/2020.

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 12/31/2020 and of the results of its operations and cash flows for the fiscal year 01/01/2020 - 12/31/2020.

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

We recommend that the Annual Report with its accompanying financial statements be adopted at the Annual General Meeting.

Copenhagen, 04-27-2021

Executive Board

Claus Elsborg Olesen

Board of Directors

Gunnar Magnus Severus Modée Persson
Chairman

Peter Joakim Holm

Henrik Kristian Moltke

Claus Elsborg Olesen

Annette Ingegerd Colin

Independent Auditor's Report

To the shareholders of Initiator Pharma A/S

Opinion

We have audited the financial statements of Initiator Pharma A/S for the financial year - 31.12.2020 which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 and cash flows 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, 27.04.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jens Sejer Pedersen
State Authorised Public Accountant
Identification No (MNE) mne14986

Glossary

Business terms

CNS
The Central Nervous System, a part of the nervous system consisting of the brain and spinal cord.

CTA
Clinical Trial Application which a pharmaceutical company file to EMA in order to obtain permission to ship and test an experimental drug in Europe before a marketing application for the drug has been approved. The approved application is called an Investigational New Drug (IND) in the US.

EMA
European Medicines Agency

Erectile Dysfunction
Erectile dysfunction (ED) or impotence is sexual dysfunction characterized by the inability to develop or maintain an erection of the penis during sexual activity in humans.

FDA
US Food and Drug Administration

IND
Investigational New Drug is a program by which a pharmaceutical company obtains permission to ship and test an experimental drug in the US before a marketing application for the drug has been approved. In Europe, the application is called a Clinical Trial Application (CTA).

IPED2015
IPED2015, our most advanced drug candidate, is a novel drug candidate for the treatment of patients suffering from Erectile Dysfunction (ED) that do not respond to the currently marketed drugs in the PDE5i class (e.g. Viagra®, Cialis®, Levitra®)

Monoamine re-uptake inhibitor
A monoamine reuptake inhibitor (MRI) is a drug that acts as a reuptake inhibitor of one or more of the three major monoamine neurotransmitters serotonin, norepinephrine, and dopamine by blocking the action of one or more of the respective monoamine transporters.

Neuropathic pain
Neuropathic pain is a complex, chronic pain state that usually is accompanied by tissue injury. With neuropathic pain, the nerve fibers themselves may be damaged, dysfunctional, or injured. These damaged nerve fibers send incorrect signals to other pain centers.

PDE5 inhibitor
A drug used to block the degradative action of the PDE5 enzyme in the smooth muscle cells lining the blood vessels supplying the corpus cavernosum of the penis. These drug, incl Viagra®, Cialis® and Levitra® are used in the treatment of erectile and were the first effective oral treatment available for the condition.

Financial

Earnings per share
Profit/loss for the period divided by the average number of shares outstanding at the end of the period

EBIT
Earnings Before Interest and Taxes (Operating profit/loss)

Equity ratio
Shareholders' equity as a proportion of total assets

Diluted earnings per share
Profit/loss for the period divided by the average number of shares after dilution at the end of the period

Operating margin
EBIT as proportion of revenue

Shareholder information

FINANCIAL CALENDAR

Year-End Report 2020	February 19, 2021
Interim Report Q1	May 25, 2021
Annual General Meeting	May 28, 2021
Interim Report Q2	August 20, 2021
Interim Report Q3	November 19, 2021
Year-End Report 2021	February 18, 2022

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