INITIATOR PHARMA: Q1 2018 report

Financial Highlights

Initiator Pharma A/S is a Danish registered company, and is reporting its financial situation in Danish kroner (DKK). Initiator Pharma A/S was registered on May 2, 2016.

First Quarter (2018-01-01 – 2018-03-31)
• Net revenues were TDKK 0 (0)
• EBIT was TDKK -3,111 (-1,211)
• Earnings per share was DKK –0.38 (-0.22)
• Cash and bank: TDKK 2,263 (12,923)
• Solidity: 60%

Group earnings per share: period result divided by a number of 8 683 943 stocks (on 2018-03-31).
Solidity: equity divided by assets.

Business highlights in Q1 2018

- In January we announced that we had successfully completed the preclinical development of our drug candidate IPED2015. The studies were concluded ahead of the previously announced schedule and included experimental work with most of the recent positive data from the cardiovascular telemetry study, the respiratory study and a clean genotoxicity profile.
- We announced that the company has received an Intention to Grant notice from the European Patent Office ("EPO") for its patent application for the IPDP2015 product candidate. In essence, this means that the EPO intends to approve the company's application.
- In February the board proposed an Extraordinary General Meeting to conduct a rights issue of up to 8 683 941 shares and 5 789 294 attached consideration-free share options of series TO1, as units. Fully subscribed rights issue provides Initiator Pharma initially with approximately SEK 19.1 million through subscription of shares and a further approximately SEK 12.7 million in the case that all attached share options are exercised. In total, approximately SEK 31.8 million before issuing costs.

Significant events after this reporting period

- On April 5th we announced that the rights issue had been oversubscribed, raising SEK 19.1 million to the compan before issuing costs and SEK 16.8 net of issuing costs.
- On May 3rd we called for the Annual General Meeting, to take place on May 25th, and published our Annual Report for 2017.
- On May 23rd we announced that we have filed a Clinical Trial Application, CTA for Drug candidate IPED2015 with the Medicines & Healthcare products Regulatory Agency, MHRA.UK.

Comments from the CEO

" With the successful completion of the preclinical development of IPED2015 in january Initiator Pharma have reached an important milestone with our Erectile dysfunction drug candidate. We now strive to finalize and submit the Clinical Trial Application, so we can get approval from the authorities to start the First-in-Man clinical trial after the summer. With the funding for these activities in place we look forward to becoming a clinical stage company set to deliver at Phase 2a PoC first half of 2019"

For more information, please contact

Claus Olesen, CEO, Initiator Pharma, Mobile: +45-61 26 00 35, E-mail: ceo@initiatorpharma.com
Torgeir Vaage, CFO, Initiator Pharma, Mobile: +47-924 05 235, E-mail: tv@initiatorpharma.com

About Initiator Pharma

Initiator Pharma A/S is a Danish biotechnology company focusing on the development of innovative drugs, targeting key unmet medical needs within the central and peripheral nervous system. Our research is focusing on monoamine reuptake inhibitors, molecules that are affecting the synaptic

concentrations of neurotransmitters such as dopamine, serotonin and noradrenaline. Our lead drug candidate, IPED2015 is targeting the medical condition Erectile Dysfunction (ED), and specifically patients with ED that are non-responsive to drugs within the PDE5i class, including the approved drugs Viagra®, Cialis® and Levitra®.

Initiator Pharma is based in Aarhus, Denmark. Initiator Pharma is listed on Aktietorget and has about 3.300 shareholders. Read more at www.initiatorpharma.com.

Letter from the CEO

Since the announcement, in January, that we have completed the preclinical development of IPED2015 ahead of the set schedule we have busy compiling the final study reports and write up the Clinical Trial Application (CTA) to seek approval from the authorities to start dosing the first patients.
The fact that the study was completed ahead of schedule is driven by the very positive results from genotoxicity and safety pharmacology studies in the preclinical development of IPED2015 and shows the commitment and expertise of our entire team.

"We now believe that we can achieve a clinical phase IIa Proof of Concept in the first half of 2019, approximately a year ahead of the original plan and at a lower cost. We believe that we, after a successful clinical phase IIa study, will have a data package for IPED2015 that is interesting to potential pharmaceutical partners. This would allow for an exit option as early as 2019."

Our goal now is to begin a clinical phase I study as soon as possible. Regarding the upcoming clinical development, we have made an important strategic decision which will have positive effects on both time and costs. We now believe that the clinical phase I study can be completed before the end of 2018. The clinical phase IIa study will then commence as soon as possible. Our goal is to complete it with a clinical phase IIa Proof of Concept in the first half of 2019, roughly a year ahead of the original schedule and at a lower cost for the Company and its shareholders. With a successful clinical phase IIa study, we expect to have a data package for IPED2015 which is interesting to potential pharmaceutical partners. This would then allow us to exit before the end of 2019.

"We are very pleased with the recent preferential rights issue as it has provided us with sufficient financial resources to archeive a major milestone, becoming a clinical stage Biotech with a Clinical Phase 2a PoC on the horizion. This will be a significant value inflection point and will create value for the shareholders and be a major advance for the many ED patients for whom there are no effectice treatment."

To finance the clinical phase I study and the clinical phase 2a study for a Proof-of-Concept, we successfully completed a preferential rights issue in March 2018, raising approximately 19 MSEK, and an additional 12 MSEK can be added to the company through full use of associated warrants redeemable in the fourth quarter of 2018. The main ambition of this financing model, in case the associated warrants are fully subscribed, is that no additional capital will be needed for the development of IPED2015 to reach the stage which we have had as our focal point since the start, the clinical phase 2a Proof-of-Concept. 2018 will be another eventful year for Initiator Pharma. We anticipate that we will submit the Clinical Trial Application for our phase 1 study during Q2:18, and conduct the phase 1 study during Q3:18, with data available during Q4:18.

I want to use this opportunity to thank the existing shareholders for your continuing support and I would also like to welcome new investors from the recent rights issue. Initiator Pharma will soon enter the clinic with a novel treatment of Erectile dysfunction and we look forward to report significant progress on our IPED2015 development program through the year.

Claus Elsborg Olesen
CEO, Initiator Pharma A/S

About Initiator Pharma

Initiator Pharma is a Biotech company established in Aarhus, Denmark. Its main asset IPED2015 represents a novel treatment paradigm for the treatment of 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. Initiator Pharma is based in Århus, Denmark.

Vision

Initiator Pharma will be a leading biotech company within the field of mono-amine reuptake transporters and be dedicated to the development of paradigm changing drug for unmet medical needs to the benefit of both patient and society.

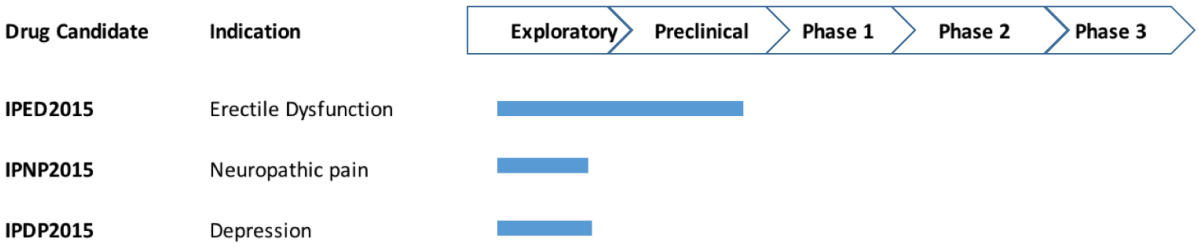
Business model

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.

Project portfolio

In 2016 Initiator Pharma acquired three potential drug candidates from Saniona. All three drug candidates belong to the drug class known as Monoamine reuptake inhibitors:



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®). 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 erectile dysfunction in patients suffering from erectile dysfunction due to metabolic syndrome and diabetes. Clinical phase 1 for IPED 2015 is planned to start in the middle of 2018.

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 erectile dysfunction 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.

Financial review

Initiator Pharma A/S is a Danish registered company, and is reporting its financial figures in Danish kroner (DKK). Initiator Pharma A/S was registered on May 2, 2016.

Financial review

TDKK	1Q:2018	1Q:2017	2017
Net sales	0	0	0
Total operating expenses	-3 111	-1 211	-9 561
Operating profit/loss	-3 111	-1 211	-9 561
Cash flow from operating activities	-4 906	-1 865	-7 784
Operating margin, %	neg	neg	neg
Average number of employees, #	1	2	1
Earnings per share, DKK	-0,38	-0,22	-1,26
Diluted earnings per share, DKK	-0,38	-0,22	-1,26
	31.03.2018	**31.03.2017**	**31.12.2017**
Cash and cash equivalents	2 263	12 923	7 169
Equity	2 655	12 880	5 964
Total equity and liabilities	4 451	13 317	9 298
Equity ratio, %	60 %	97 %	64 %
Number of shares outstanding	*8 683 943*	*8 683 943*	*8 683 943*
Number of shares, fully diluted	*9 118 140*	*8 683 943*	*9 118 140*
Weighted number of shares	*8 683 943*	*6 823 099*	*8 218 732*

Revenues and result of the operation

Revenue
Initiator Pharma generated total revenues of TDKK 0 for the fourth quarter of 2017 (0) and TDKK 0 for the full year 2017 (0).

Operating profit/loss
The company recognized an operating loss of TDKK 3,111 for the first quarter of 2018 (-1,211). The increase in operating costs in the first quarter of 2018 reflects the completion of the preclinical development pogram for IPED2015 that is required before the company can progress the drug candidate into clinical trials, anticipated to start in the 2nd half of 2018, as well as increased administrative costs.

External R&D costs in the first quarter amounted to TDKK 2,379, compared to TDKK 238 in the same period in 2017.

Financial position
The equity as of March 31, 2018 was TDKK 2,655. Cash and cash equivalents amounted to TDKK 2,263 as of March 31, 2018 and total assets were TDKK 4,451.

On April 5th the company successfully completed a preferential rights issue raising approximately MSEK 19.1 gross and MSEK 16.8 (MDKK 13.8 and MDKK 12.1 respectively) net of transaction related costs. In addition and in connection with the rights issue we issued 5 789 294 attached consideration-

free share options of series TO1, each option allowing for the subscription of 1 new share at at subscription price of SEK 2.20 during the subscription period Oct 11 – Nov 1, 2018. The TO1 option program will raise an additional MSEK 12.1 (MDKK 8.7) if fully subscribed.

Cash flow
In the first quarter of 2018 the total operating cash flow was TDKK -3,685, incl a positive change in working capital of TDKK 409. Cash flow from investment activities was TDKK -0. Cash flow from financing activities was TDKK 0.

The share, share capital and ownership structure
At March 31, 2018, the number of shares outstanding amounted to 8,683,943. The company has as of March 31 a total of 434.197 outstanding warrants, representing 5.0% of the number of issued shares.

At March 31, 2018 the company had around 3,300 shareholders. The 25 largest shareholders in the company on March 31 owned 63,6% of all outstanding shares:

Top 25 shareholders as of March 31, 2018 Owners	Number of shares	Shares %
BNY Mellon SA/NV (Former BNY)	928 771	10,70 %
Mikael Södergård Thomsen APS	505 946	5,83 %
Claus Olesen Holding APS	503 348	5,80 %
DanPet AB	503 348	5,80 %
Nordnet Pensionsförsäkring AB	324 996	3,74 %
Försäkringsaktiebolaget, Avanza Pension	324 663	3,74 %
Olofsson, Christian	300 000	3,45 %
Swedish Growth Fund AB	272 724	3,14 %
Feldthus, Thomas	267 143	3,08 %
Leif Andersson Consulting AB	250 859	2,89 %
Hendriksen, Lars	170 353	1,96 %
Sv Handelsbanken Denmark	126 176	1,45 %
Christophersen, Palle	117 143	1,35 %
JP Morgan Luxemburg	100 429	1,16 %
Thaser Holding	100 100	1,15 %
Larsen, Janus Schreiber	100 058	1,15 %
Brästrup, Claus	90 050	1,04 %
Clearstream Banking S.A.	84 659	0,97 %
Peters, Leif Anders Rudolf	72 726	0,84 %
Aktiebolaget Skånska Bruk	70 000	0,81 %
SEB Life - CJ Wachtmeister Consult	68 148	0,78 %
Nordea Livsforsäkrning Sverige AB	66 667	0,77 %
CBNY-Charles Schwab FBO	65 000	0,75 %
SIX SIS AG	60 000	0,69 %
Marnfeldt, Bengt	52 500	0,60 %
Other shareholders	3 158 136	36,37 %
Total	**8 683 943**	**100,00 %**

Personnel
As of March 31, 2018, the number of employees was 1, of which 0 were women. Initiator Pharma follows a strategy of using an extensive network of consultants to support the development activities in the company. Such a strategy is well established in the biotech industry and ensures the company the optimal balance of access to leading edge expertise, costs and flexibility.

Operational risks and uncertainties
All business operations involve risk. Managed risk-taking is necessary to maintain good profitability. Risk may be due to events in the external environment and may affect a certain industry or market. Risk may also be specific to a certain company.

The main risks and uncertainties which Initiator Pharma is exposed to are related to drug development, the company's collaboration agreements, competition, technology development, patent, regulatory requirements, capital requirements and currencies.

A more detailed description of the company's risk exposure and risk management is included in the prospectus published in March 2018.

Audit review

This Interim Report has not been subject to review by the company´s auditor.

Financial calendar

Year-End Report 2017	February 21, 2018
Interim Report Q1	May 25, 2018
Interim Report Q2	August 24, 2018
Interim Report Q3	November 23, 2018
Year-End Report 2018	February 22, 2019

Aarhus, May 25, 2018

Magnus Persson - Chairman	Henrik Moltke – Board member
Peter Holm – Board member	Claus Olesen – Board member and CEO

Financial Statements

Statement of income

TDKK	1Q:2018	1Q:2017	2017
Gross loss	-2 850	-882	-8 180
Staff costs	-239	-311	-1 297
Depreciation and write-downs	-22	-18	-84
Operating profit/loss	**-3 111**	**-1 211**	**-9 561**
Other financial expenses	-198	-289	-801
Profit/loss	**-3 309**	**-1 500**	**-10 362**
Tax			1 780
Net profit for the period	**-3 309**	**-1 500**	**-8 582**

Statement of financial position

TDKK	1Q:2018	1Q:2017	2017
ASSETS			
Patents, acquired rights	73	95	78
Intangible assets	**73**	**95**	**78**
Other fixtures, fittings, tools and equipment	117	183	134
Property, plant and equipment	**117**	**183**	**134**
Fixed assets	**190**	**278**	**212**
Other receivables	8	31	182
Income tax receivables	1 735		1 735
Prepayments	255	85	0
Current receivables	**1 998**	**116**	**1 917**
Cash and cash equivalents	**2 263**	**12 923**	**7 169**
Current assets	**4 261**	**13 039**	**9 086**
Assets	**4 451**	**13 317**	**9 298**
EQUITY AND LIABILITIES			
Contributed capital	912	15 272	912
Retained earnings	1 743	-2 392	5 052
Equity	**2 655**	**12 880**	**5 964**
Other payables	1 796	437	3 334
Current liabilities other than provisions	**1 796**	**437**	**3 334**
Liabilities other than provisions	**1 796**	**437**	**3 334**
Equity and liabilities	**4 451**	**13 317**	**9 298**

Statement of changes in shareholder equity

TDKK	Contributed capital	Retained earnings	Total
January 1, 2018	**912**	**5 052**	**5 964**
Increase of capital	0	0	0
Profit/loss for the period	0	-3 309	-3 309
March 31, 2018	**912**	**1 743**	**2 655**

Statement of cash flow

TDKK	1Q:2018	1Q:2017	2017
Operating profit/loss	-3 111	-1 211	-9 561
Amortisation, depreciation and impairment losses	22	18	84
Changes in working capital	-1 619	-383	2 449
Cash flow from operating activities before financial items	**-4 708**	**-1 575**	**-7 028**
Other financial expenses	-198	-289	-801
Tax credit			45
Cash flow from operating activities	**-4 906**	**-1 865**	**-7 784**
Investing activities			
Investment in intangible assets			-112
Investments in tangible assets		-132	-65
Cash flow from investing activities	**0**	**-132**	**-177**
Financing activities			
New share issue		14 751	14 751
Issue of warrants			166
Cash flow from financing activities	**0**	**14 751**	**14 917**
Increase/decrease in cash and cash equivalents	**-4 906**	**12 756**	**7 002**
Cash and cash equivalents at the end of period	**2 263**	**12 923**	**7 169**

Business terms - glossary

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 Glossary

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