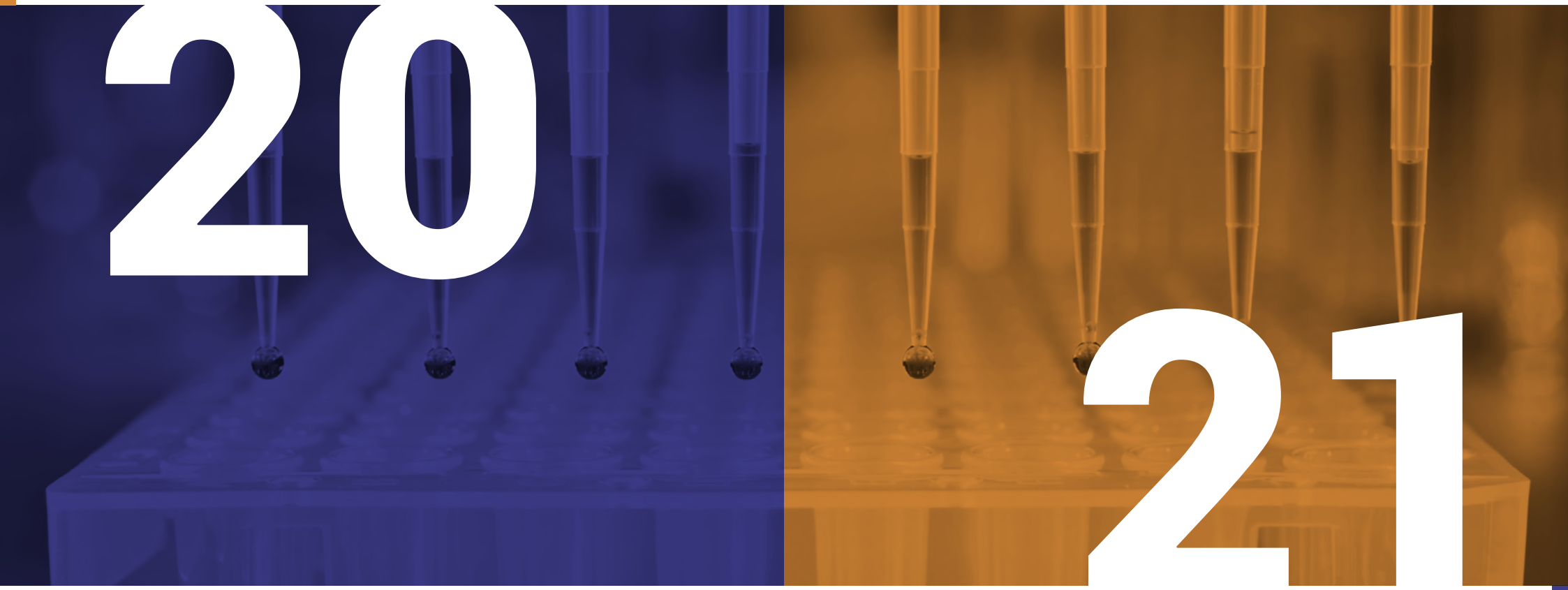
ANNUAL REPORT 2021

Initiator Pharma A/S



Initiator Pharma

www.initiatorpharma.com

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Initiator Pharma A/S

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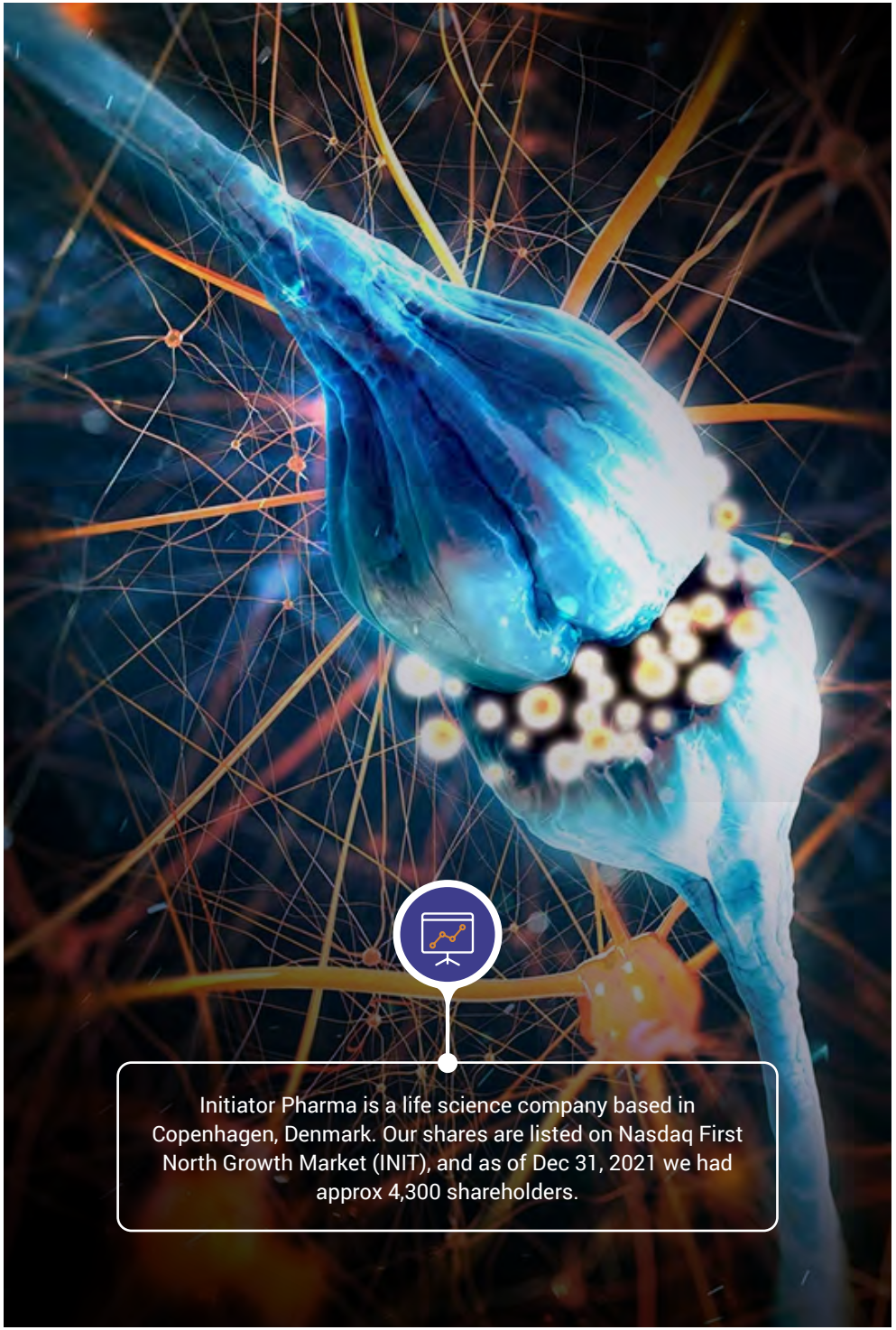
"Although we have seen another year with an ongoing pandemic that to some extent has impacted our operations, I'm overall very satisfied with our clinical achievements and, not the least, all the hard work our team has put in."

Claus Elsborg Olesen, CEO



Initiator Pharma is a life science company based in Copenhagen, Denmark. Our shares are listed on Nasdaq First North Growth Market (INIT), and as of Dec 31, 2021 we had approx 4,300 shareholders.

Initiator Pharma

Initiator Pharma´s vision is 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 three programs in clinical development:

The **IPED2015** program is targeting organic Erectile Dysfunction, based on our Active Pharmaceutical Ingredient (API) IP2015. 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 that do not respond or cannot be treated with the current marketed medication. We are currently conducting a multi-center 120 patient Phase 2b trial in ED.

The **IP2018** program is psychogenic Erectile Dysfunction (ED) and depression, based on our API IP2018. IP2018 was in-lisenced in March 2020 from Saniona and is currently being examined in a Phase 2a trial.

The **IPTN2021** program is targeting neuropathic pain, based on our API IP2015. We are currently conducting a proof of principle clinical study in subjects exposed to the sensory nerve stimulant capsaicin.

2021 IN BRIEF

Q1

- **In January** 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.

Q2

- **In May** the AGM approved a directed issue of approx. SEKM 30 and a fully guaranteed preferential rights issue of approx. SEKM 30, in total SEK 60 million, to expand into new orphan drug indication. The directed issue was led by long-term investors Linc AB and Adrigo Asset Management AB.
- **In June** Initiator Pharma informed that it had received approval of a protocol amendment of inclusion criteria in the IP2018 Phase 2a clinical trial for optimizing the study execution of the trial.
- **In June** Initiator Pharma informed that it had received final approvals for the Clinical Trial Application (CTA) for its planned Phase 2b study in Erectile Dysfunction patients with IPED2015 from both the Medicines & Healthcare products Regulatory Agency, MHRA, UK and the Ethics Committee.

Q3

- **In July** Initiator Pharma announced that the rights issue of approx SEKM 30 was subscribed for to a total of approximately 227 percent by existing shareholders, the public and through pre-subscription commitments.
- **In September** Initiator Pharma announced that it has signed a screening agreeement with the National Institute on Drug Abuse (NIDA) in the USA in order to investigate the potential benefits of the company's preclinical assets IPDP2015 and IPNP2015 for improved treatment of addiction.

Q4

- **In October** Initiator Pharma announced that it had been approved for admission to trading of its shares at Nasdaq First North Growth Market Stockholm. First day of trading was October 25th.
- **In November** Initiator Pharma received CTA approval for IPTN2021 program Phase 1 study to assess pain reducing effects.

Q1

BUSINESS HIGHLIGHTS AFTER YEAR END

- **On April 13th** the company announced that the Board of Directors proposes a directed share issue and fully guaranteed rights issue of a total of approximately SEK 61 million to finance its clinical programs into the beginning of 2024.

Milestones and Financial highlights

Milestones

Milestones achieved during 2021

- Completed a credit agreement with MAC covering up to approx SEKM 23 of the costs of the Phase 2b clinical trial in Erectile Dysfunction that can be converted into shares a share price of SEK 7,50.
- Raised approx SEKM 60 through a combination of direct and preferential rights issue of shares.
- Initiated the Phase 2b trial in Erectile Dysfunction with IP2015.
- The shares in Initiator Pharma was admitted for trading to Nasdaq First North Growth Market Stockholm.
- Received approval to initiate a Phase 1 proof of principle study in neuropathic pain with IP2015.

Upcoming milestones

- Complete the ongoing Phase 2a proof of concept trial with IP2018 (IP2018).
- Complete the ongoing Phase 1 proof of principle trial in neuropathic pain with IP2015 (IPTN2021).
- Complete the ongoing Phase 2b trial with IP2015 in ED (IPED2015).

Key Figures

Income Statement, KDKK	2021	2020	2019
Operating profit/loss	-23 072	-10 531	-9 339
Profit/loss before tax	-24 244	-10 240	-9 975
Profit/loss for the year	**-21 064**	**-8 697**	**-8 288**

Balance Sheet, KDKK	2021	2020	2019
Fixed assets	**0**	**11**	**37**
Current receivables	19 355	2 088	3 839
Cash and cash equivalents	34 346	13 504	7 562
Total assets	**53 701**	**15 603**	**11 438**
Equity	34 994	14 409	9 908
Long-term liabilities	13 290	0	0
Current liabilities	5 417	1 194	1 530
Total equity and liabilities	**53 701**	**15 603**	**11 438**

Cash flow, KDKK	2021	2020	2019
Cash flow from operating activities	-34 097	-8 064	-8 554
Cash flow for the year	**20 841**	**5 943**	**-6 930**

Key figures, %	2021	2020	2019
Liquidity ratio	991%	1 306%	745%
Equity ratio	65%	92%	87%

Share data, DKK	2021	2020	2019
Diluted earnings per share	-0,44	-0,30	-0,34
Equity per share	0,80	0,52	0,42
Dividend	0	0	0
Cash flow per share	0,48	0,21	-0,29

Share data, #	2021	2020	2019
Shares outstanding	43 772 462	27 705 728	23 591 375
Diluted shares outstanding	48 165 325	28 574 121	24 459 769

Letter from the CEO

2021 was an intense year for Initiator. Although we have seen another year with an ongoing pandemic that to some extent has impacted our operations, I'm overall very satisfied with our clinical achievements and, not the least, all the hard work our team has put in.

I'm very pleased to see that all of Initiator's clinical programs are progressing largely as expected, even though we have seen a somewhat slower pace in the inclusion of patients due to the pandemic. As mentioned in a recent clinical update, this has been most notable in the IP2018 drug program where we are working hard to have the inclusion and dosing completed as soon as possible. However, we maintain our position that we do not foresee the Covid-19 pandemic pushing the overall future development of IP2018, or any of our other clinical programs.

Patient enrollment for IPED2015 Program expected to be completed by year-end

Our most advanced ED program IPED2015 is since September 2021 being evaluated in an ongoing Phase 2b trial conducted in the UK in collaboration with MAC Clinical Research. The patient recruitment rate is progressing well and we anticipate that inclusion and dosing of the planned 120 patients should be completed in the second half of this year, pending the development of the Covid-19 pandemic.

We are truly excited to see the outcome of this pivotal study, especially as IPED2015 previously has demonstrated efficacy in a Phase 2a Proof-of-Concept study. We believe IPED2015 has the potential to become a new valuable treatment option for the large group of patients that do not respond to the currently marketed drugs in the PDE5i class, such as Viagra and Cialis.

IP2018 Program Phase 2a trial ongoing

Our Phase 2a study with the monoamine reuptake inhibitor IP2018 in depressed ED patients, is still not fully enrolled, though the patient recruitment rate has increased significantly since we obtained approval from the regulatory authorities to modify certain inclusion criteria last summer. It has been clear that the specific patient segment targeted in this trial seems to be significantly impacted by the Covid-19 pandemic. With that said, the patient recruitment is expected to be completed in the near future.

Dosing initiated in the IPTN2021 program Phase I study to assess pain reducing effects

In November we received Clinical Trial Application (CTA) approval by the UK Medicines & Healthcare products Regulatory Agency, MHRA, as well as the local Ethics Committee for an exploratory Phase I trial within the IPTN2021 program, conducted in healthy subjects challenged with pain inducing ingredient (capsaicin). Already In January, after the reporting period, we were able to announce that the first patient had been dosed in the trial.

The study is a randomised, double blind, placebo controlled study to investigate the pharmacodynamic effects of IP2015 in 24 healthy male subjects using the intradermal capsaicin model. It is carried out in collaboration with MAC Clinical Research, UK, as a single site study. Pending current and future Covid-19 restrictions, first results are expected before the summer.

This first clinical trial in our new IPTN2021 program is very important and our expectations are high as it is targeting the orphan drug indication trigeminal neuralgia, a rare but devastating disease for those affected by it. The treatment options available today for trigeminal neuralgia involves medications and surgery, however the current medication is often found ineffective and with serious adverse events. Therefore, the need for new more effective treatment options is vast, which Initiator will address in the IPTN2021 program.

The drug substance used in this program, IP2015, is also used in the IPED2015 program, and we are now thrilled about the possibility to also assess the substance in relevant pain indications. If positive outcome, we intend to follow up this trial with a Phase II trial including trigeminal neuralgia patients.

Prominent article in Nature shows strong support for the role of dopamine in sexual function

All of our clinical programs, including IPTN2021, belong to the drug class monoamine reuptake inhibitors and are based on compounds modulating monoamine neurotransmitters e.g., dopamine, noradrenaline, and serotonin. Therefore it was very encouraging, and a clear validation of our medical approach, when findings from a recent study made by Professor Mark Andermanns and his team at Harvard Medical School in Boston, demonstrated the importance of dopaminergic neurons in the brain for sexual function. The study results, which were published in the prominent peer-reviewed scientific journal Nature in November, strongly supports our belief that dopamine, together with other monoamine neurotransmitters such as noradrenaline and serotonin, plays a pivotal role in many important physiological functions including sexual function.

The importance of dopamine will hopefully be established even further when presenting data from our ongoing Phase 2b study with IPED2015, a drug substance which increases dopamine levels in the brain, in 120 otherwise healthy organic ED patients.

Strengthening of the organization

As announced in February, Initiator Pharma has recruited Christina Guldberg for the position of Senior Director, Clinical Development and Outcomes Research (Rare Diseases).

Christina Guldberg will be an important addition to our clinical development team with three programs in clinical development. Her experience and expertise in drug and clinical development and relevant market access perspective are unique. Such competencies are essential in our efforts to strengthen Initiator Pharma's rare disease profile (e.g., the IPTN2021 neuropathic pain program targeting trigeminal neuralgia). Overall, Christina Guldberg will also be supporting all our programs and their development, clinical endpoints, and positioning to prepare for future reviews by the regulatory authorities, as well as discussions with patient organizations and payers.

Propopsed capital injection

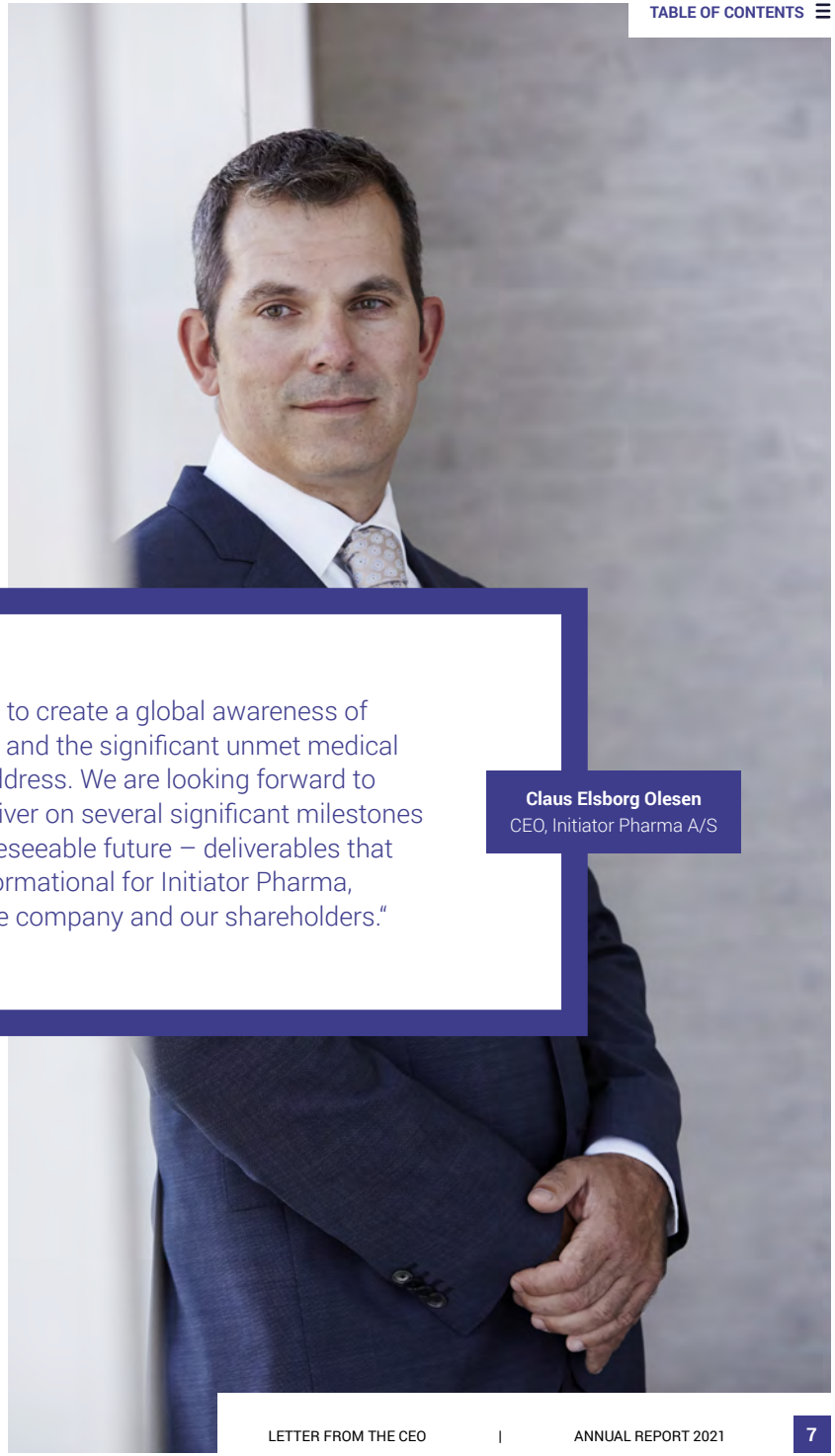
To be able to continue developing our ongoing programs, Initiator Pharma recently, on April 13 2022, announced that the Board of Directors has proposed to resolve on a capitalization of approximately SEK 61 million, consisting of a directed share issue of SEK 20 million to long-term investors led by Linc AB and Adrigo Asset Management AB, and a fully guaranteed rights issue of SEK 41 million. I am very pleased about Linc's and Adrigo's continued support and confidence in our company demonstrated by their commitments in the planned share issue, which would allow us to further progress all our clinical programs and secure company financing to the early part of 2024.

During the fourth quarter of last year we also carried out an uplisting of our shares from Spotlight Stock Market to Nasdaq First North Growth Market, an important corporate action that will make the Initiator Pharma share accessible for the many international investors who use the Nasdaq platforms. We see the list change as a natural progression for our ambition to create a global awareness of our programs and the significant unmet needs they address.

With a strong team in place, a Nasdaq listing and a plan set for the long-term financing of the company and our clinical programs, we are looking forward to reach and deliver on several significant milestones within the foreseeable future – deliverables that will be transformational for Initiator Pharma, benefitting the company and our shareholders. We are welcoming you all, existing and new shareholders, to take part in our exciting journey.

Copenhagen, April 27, 2022

Claus Elsborg Olesen
CEO



> "Our ambition to create a global awareness of our programs and the significant unmet medical needs they address. We are looking forward to reach and deliver on several significant milestones within the foreseeable future – deliverables that will be transformational for Initiator Pharma, benefitting the company and our shareholders."

Claus Elsborg Olesen
CEO, Initiator Pharma A/S

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

Initiator Pharma's 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 two 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 its portfolio of drug candidates to key value inflection points, where the company anticipates significant partnering interest from international pharma industry for the further development of the company's 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 five projects with four drug candidates, of which three are in clinical development and two are in preclinical development.

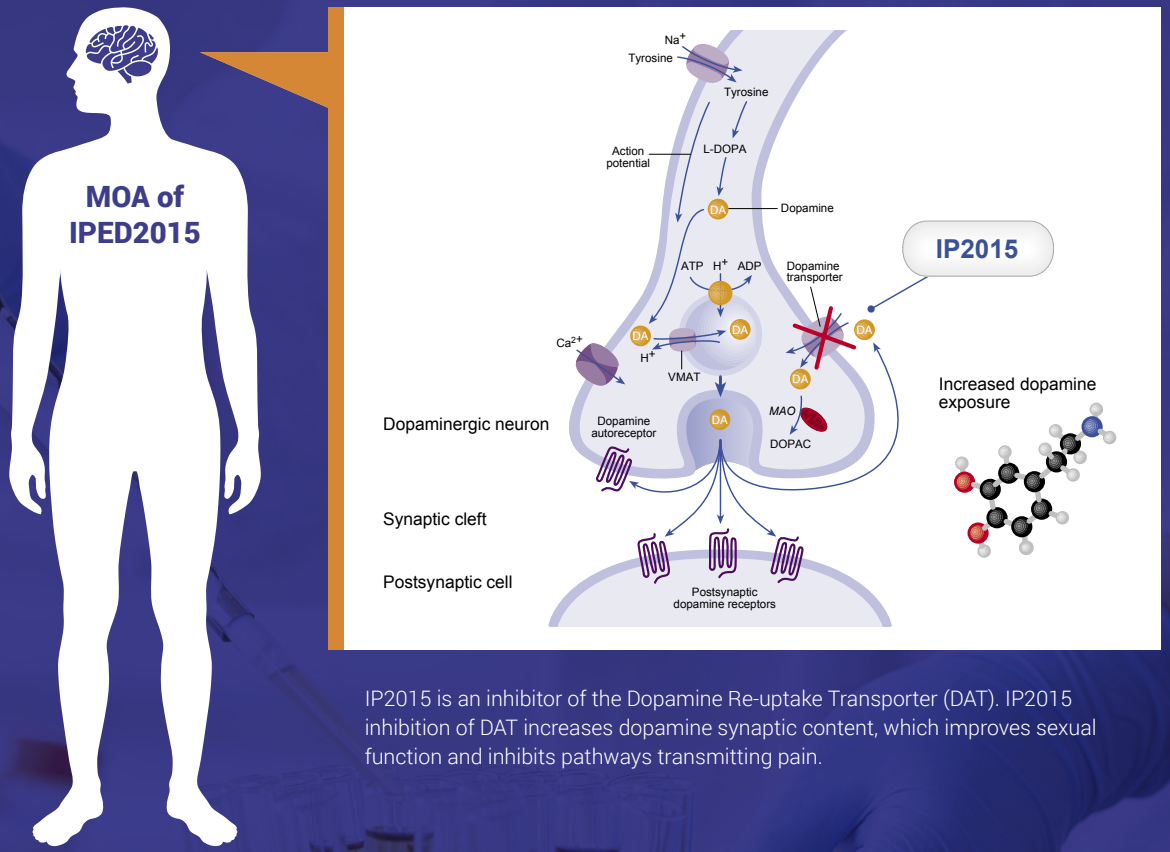
Program	Profile	Indication	Discovery & Preclinical	Phase I	Phase Ib	Phase 2a	Phase 2b
IPED2015*	DAT (SERT/NET)	ED (Organic)					Partnership **MAC**
IP2018	DAT>SERT>NET	ED (Psychogenic)					
IPTN2021*	DAT (SERT/NET)	Trigeminal Neuralgia					
IPDP2015	DAT (SERT/ NET)	Exploratory (Depression)					
IPNP2015	DAT (SERT/ NET)	Exploratory (Pain)					

* IP2015 API

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.



IP2015 is an inhibitor of the Dopamine Re-uptake Transporter (DAT). IP2015 inhibition of DAT increases dopamine synaptic content, which improves sexual function and inhibits pathways transmitting pain.

PROJECT **IPED2015**

IPED2015, our most advanced development program, 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. The Active Pharmaceutical ingredient in the IPED2015 program is IP2015.

The ambition with IPED2015 is to improve the quality of life for a large number of patients (and their partners) who do not respond or cannot be treated with currently marketed drugs (PDE5 inhibitors) for sexual dysfunction. It is estimated that this represents 150 million men worldwide. At the beginning of June 2019, Initiator announced that the company had successfully completed a Phase 1 study regarding safety and tolerability with IPED2015, and in March 2020, Initiator achieved successful Phase 2a results for IPED2015. The Phase 2a study was designed as an exploratory study and included twelve patients who had severe erectile dysfunction with scores below 12 on the IIEF-5 scale, which meant that it was not possible to treat the condition with currently available treatment. Results from the study support the goal of further developing an oral formulation of IPED2015 for the treatment of moderate and severe erectile dysfunction in patients who do not respond to current therapies.

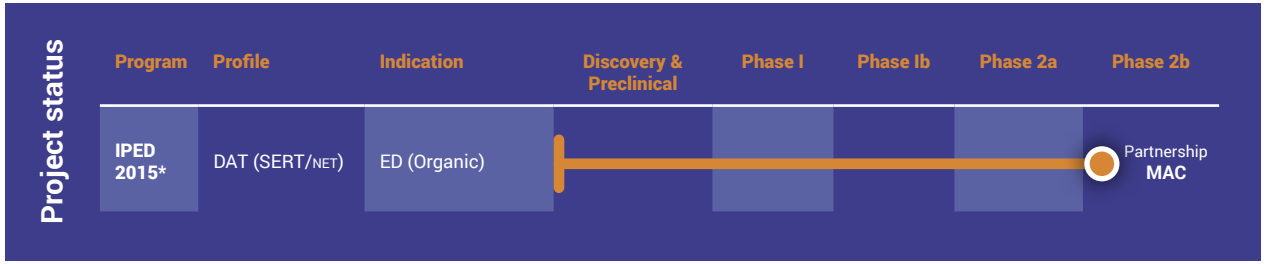
Clinical development plans in organic Erectile Dysfunction

On 25 November 2020 Initiator announced a financing agreement with MAC Clinical Research Ltd covering the continued development of IPED2015. 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, i.e. patients that is not responding to the currently marketed drugs in the PDE5i class. Upon the full completion of the study, MAC has the right to convert the accrued debt into Initiator shares at a share price of SEK 7.5.

The study is a randomized, double-blind, parallel-group, repeat single oral dose study of IPED2015 or placebo in otherwise healthy organic Erectile Dysfunction patients. The study will enroll 120 patients divided into 3 parallel arms receiving a higher and a lower dose of IPED2015 and placebo respectively, with treatment duration of 4 weeks with frequent assessments of erectile dysfunction, safety and pharmacokinetics. The Clinical Trial Application for the Phase 2b study was approved on June 28th, and on September 24th we announced the dosing of the first patient in the study.

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 the company primary target group and will clearly distinguish the program from 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 it to receive premium pricing for IPED2015 and thereby generate substantial commercial value for Initiator Pharma.



* IP2015 API

PROJECT **IPTN2021**

Trigeminal neuralgia is a chronic pain condition that affects the trigeminal nerve which carries sensation from the face to the brain. In patients with trigeminal neuralgia, even mild stimulation of the face, such as brushing your teeth or putting on makeup, may trigger a jolt of excruciating pain. The disease is seriously invalidating. It is reported that worldwide 150,000 people are diagnosed with trigeminal neuralgia (TN) every year. Trigeminal neuralgia affects women more often than men, and it's more likely to occur in people who are older than 50. The causes of the disease include pressure on the nerve, aging, brain disease or is idiopathic. The treatment involves medications and surgery. Clinical guidelines recommend carbamazepine (the only drug FDA-approved for TN) and oxcarbazepine as first-line therapies, however the current medication is often found ineffective and with serious adverse events. With our IPTN2021 program aim to address this significant unmet medical need .

The IPTN2021 development plan aims for orphan drug registration for trigeminal neuralgia and the future ambition is to seek a fast track designation at the FDA and EMA to obtain regulatory support from the authorities and significantly reduce the lead time to product registration.

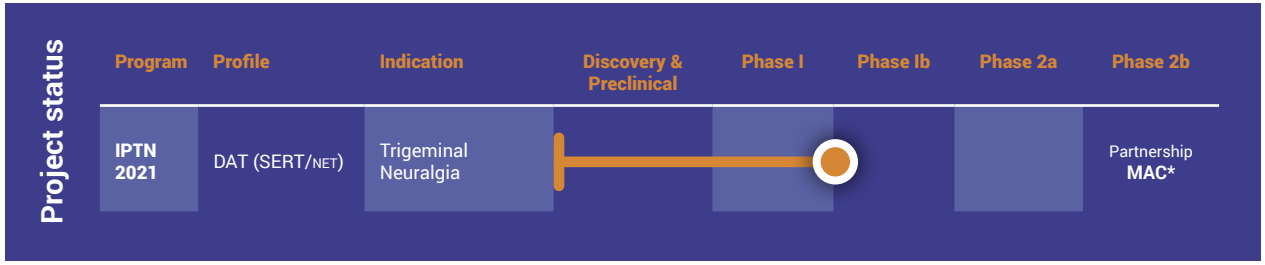
In the IPTN2021 program the Active Pharmaceutical ingredient is IP2015. In preclinical studies, IP2015 is effective and markedly inhibits neuralgic pain.

Clinical development plans in Neuropathic Pain

Initiator aims in a Proof-of-Principle study to examine the effect of IP2015 in subjects exposed to the sensory nerve stimulant capsaicin. On January 20th this year the company announced that it had started dosing in a Phase 1 proof of principal study in which IP2015 will be evaluated for analgesic effects in healthy subjects challenged with capsaicin as a pain inducing agent. This is a well established pain model of neuropathic pain for early evaluation of analgesic effect, and if positive is planned to be followed by a Phase 2a study in patients suffering from Trigeminal Neuralgia.

Trigeminal Neuralgia Market

The neuropathic Pain Market to according to Garner a Valuation of US$ 9,862.3 Million by 2027, at CAGR of 6.4 percent by the end of 2027. On average annual healthcare cost for painful neuropathic disorder is US$ 17,355 per patient and with a solid efficacy and safety data on IPTN2021 Initiator Pharma expect to able to obtain premium pricing siginificantly strengthening the commercial opportunity with the potential to reach high hundreds of MUSD in sales.



* IP2015 API

PROJECT **IP2018**

IP2018 is a monoamine reuptake inhibitor for the treatment of psychogenic Erectile Dysfunction (mainly caused by anxiety and depression) mainly targeting the serotonin instead of the dopamine system. IP2018 is different from our frontrunner IPED2015 for organic erectile dysfunction (mainly caused by diabetes and age), which conversely primarily targets 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 as up to 68% of patients with major depressive disorder suffer from sexual dysfunction, for which only 5% to 30% is resolved with antidepressant treatment

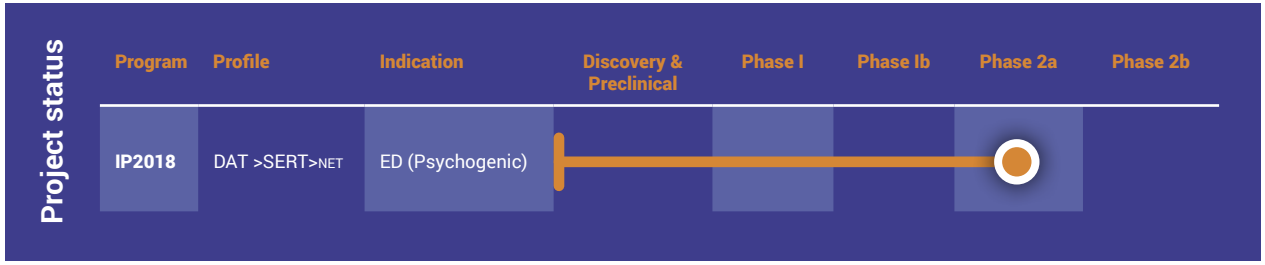
IP2018 raises the serotonin levels in the brain, and in its preclinical trials, Initiator Pharma has shown that IP2018 has an effect on both depression and erectile function, which is a clear differentiation from other antidepressants on the market today. In the planned clinical phase 2a trial, Initiator Pharma intends to primarily confirm the effect of IP2018 on the erectile function of 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.

Clinical development plans in psychogenic Erectile Dysfunction

In June 2020 the company announced that we had obtained approval from the Medicines and Healthcare products Regulatory Agency, MHRA, and the Ethical committee (EC) UK, for a Phase 2a clinical trial with its candidate drug IP2018. The Phase 2a trial is a randomized, double-blind, placebo-controlled, 3-way crossover trial studying the efficacy and safety of IP2018 in young, depressed, erectile dysfunction (ED) patients. The primary objective of this study is to investigate the effects of IP2018 on penile rigidity and tumescence using visual sexual stimulation test. The study will be conducted in 24 patients at the MAC Phase I unit in Manchester, UK.

On December 17th the company announced that the patient recruitment rate in the ongoing Phase 2a study with the drug substance IP2018 has increased significantly since Initiator Pharma in July 2021 obtained approval from the regulatory authorities to modify certain inclusion criteria. However, recruitment rate is still impacted by the Covid-19 pandemic, especially the patient segment targeted in this trial seems to be significantly impacted.

The company has a commitment from Innovation Fund Denmark to fund the trial with up to 3.8 MDKK through the Innobooster grant.



Depression Market

The main treatments for depression are drugs that selectively inhibit the uptake of serotonin (SSRIs) or serotonin and norepinephrine (SNRIs) or the breakdown of serotonin, norepinephrine and dopamine by inhibiting monoamine oxidase. Antidepressants such as SSRIs and SNRIs have a negative effect on male sexual function. Although the incidence of sexual dysfunction is lower with certain atypical antidepressants, such as bupropion, mirtazapine and vortioxetine, compared to SSRIs, it is nevertheless important to treat sexual dysfunction induced by antidepressant drugs (treatment-induced sexual dysfunction). In one study, it was observed that 41.7 percent of men discontinued psychiatric medication due to perceived sexual side effects. Between 14 and 35 percent of young men have experience with erectile dysfunction, which may be due to performance anxiety, depression, schizophrenia, or other mental disorders. About 13 percent of all Americans take antidepressant drugs, which means over 23 million prescriptions per year. The global Anxiety Disorder and Depression Treatment Market is forecasted to grow at a rate of 2.4 percent from USD 15.85 billion in 2019 to USD 19.21 billion in 2027. The largest players, which account for more than 60 percent of antidepressants sold, are Pfizer, Eli Lilly, GlaxoSmithKline, AstraZeneca and H Lundbeck A/S. All are facing patent expirations in the next few years, and generics and biosimilars are expected to hit revenues hard. All drugs currently on the market have been associated with erectile dysfunction to varying degrees, and this underlines the need to develop a better alternative.

The Initiator Pharma share

The share and ownership structure

Initiator Pharma is listed on Nasdaq First North Growth Market Stockholm in Sweden, under the ticker code INIT. At December 31, 2021, the number of shares outstanding amounted to 43,772,462. The company has as of December 31 a total of 1,334,196 outstanding incentive warrants, representing 3.0% of the number of issued shares. In addition the company has entered a convertible credit agreement with MAC Clinical Research that if fully utilized can result in a dilution of 3,058,667 shares, representing 7.0% of the number of issued shares.

The closing share price on December 31 was SEK 8.14, up 70% for the year. The market capitalization of the company on December 31 was approx SEK 356 million. During 2021 the average daily trading volume was 104,263 shares, and for the full year the traded volume was 26.4 million shares or 60% of the issued shares at year-end.

At December 31, 2021 the company had around 4,300 shareholders, with the 10 largest shareholders holding 39% of all outstanding shares:

Top 10 shareholders as of December 31, 2021

Shareholder	Number of shares	Shares %
LINC AB	5 780 781	13,21%
Försäkringsaktiebolaget, Avanza Pension	2 813 170	6,43%
Adrigo Small and Midcap L/S	1 786 679	4,08%
BNY Mellon SA/NV	1 159 224	2,65%
Thorén, Mats	1 070 222	2,44%
Nordnet Pensionsforsäkring	1 049 930	2,40%
Ålandsbanken i Ägares ställe	1 005 609	2,30%
UBS Switzerland	815 163	1,86%
DanPet AB	709 594	1,62%
Claus Olesen Holding AB	692 738	1,58%
Ten largest shareholders	16 883 110	38,57%
Other shareholders	26 889 352	61,43%
Total	**43 772 462**	**100,00%**

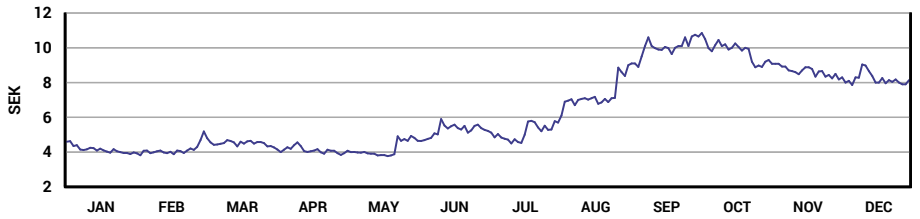
Shareholdings per size

Shareholding	Number of shareholders	Shareholding and votes	Shares (%)
1 - 500	1 995	304 389	0,70%
501 - 1,000	492	378 206	0,86%
1,001 - 5,000	1 030	2 453 366	5,60%
5,001 - 10,000	301	2 211 154	5,05%
10,001 - 15,000	133	1 632 674	3,73%
15,001 - 20,000	79	1 387 107	3,17%
20,001 -	242	35 405 566	80,89%
Total	**4 272**	**43 772 462**	**100,00%**

Shareholders by geography

Shareholders by country	Number of shareholders	Number of shares	Share of votes
Sweden	3 458	32 090 127	73,31%
Nordics, excl Sweden	748	7 492 274	17,12%
Europe, excl Nordics	46	3 691 987	8,43%
USA	5	288 391	0,66%
Other	14	209 683	0,48%
Total	**4 271**	**43 772 462**	**100,00%**

Initiator Pharma share price 2021



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 2021.

Initiator Pharma A/S is a Danish clinical stage life science company developing innovative drugs that target key unmet medical needs within the central and peripheral nervous system.

Initiator Pharma is a limited liability company registered and headquartered in Aarhus, Denmark. The address of the head office is Ole Maaloesvej 3, 2200 Copenhagen, Denmark. Initiator Pharma incorporated on May 2, 2016 and is listed on Nasdaq First North Growth Market Stockholm.

FINANCIAL DEVELOPMENT IN 2021

Result

As a development company Initiator Pharma generated no revenues in the financial year 2021, unchanged from 2020. The company recognized an operating loss of TDKK 23,072 for the full year 2021, compared to TDKK 10,531 for 2020.

The increase in operating costs for the full year compared to the same period last year reflects increased development costs related to the ongoing Phase 2b trial in IPED2015, the ongoing Phase 2a trial in IP2018 and the planning of a Phase 1 proof of principle study in IPTN2021 as well as increased corporate costs related to the change in listing to Nasdaq First North Growth Market Stockholm.

External R&D costs in 2021 amounted to to TDKK 11,807, compared to TDKK 5,194 in the same period in 2020.

Net financial expenses in 2021 were TDKK 1,172, compared to net financial income of TDKK 291 in the same period in 2020. The increase in net financial expenses for 2021 is related to a combination of fees for the MSEK 10 loan facility that was entered into in April 2020 and foreign exchange movements in the period.

Financial position

The equity as of December 31, was TDKK 34,994 (14,409). Cash and cash equivalents amounted to TDKK 34,346 (13,504) as of December 31, and total assets were TDKK 53,701 (15,603). The increase in equity, cash and total assets is related the the completed share issues, described in further detail under the section “The share, share capital and ownership structure below”.

Expenses related to capital increases in the year amounts to 1 848 KDKK (2020: 0 KDKK).

Cash flow

The operating cash flow for the financial year 2021 was TDKK -34,097, incl a negative change in working capital of TDKK 11,407. Cash flow from investment activities was TDKK 0 and cash flow from financing activities was TDKK 54,938. The cash flow from financing activities during the full year includes:

- Directed issue that was successfully completed during Q2, raising TDKK 22,034 net of issuing costs (see below for further details)
- Preferential rights issue that was successfully completed during Q3, raising TDKK 19,614 net of issuing costs (see below for further details)
- Increased lending of TDKK 13,290 under the convertible credit agreement with MAC covering part financing of the ongoing Phase 2b study.

Share capital

At December 31, 2021, the number of shares outstanding totalled to 43,772,462 shares and on a fully diluted basis to 48 165 325, incl both incentive warrants and potential dilution by the convertible credit agreement with MAC.

On January 14th 2021 an extra-ordinary general meeting approved a credit agreement with MAC, the CRO conducting the Phase 2b clinical trial in organic erectile disfunction with IP2015, whereby approx SEKM 20 of the cost of conducting the trial can be converted into shares at a share price of SEK 7.50. The maximum number of shares that can be issued under this credit agreement is 3,058,667, representing 7.0% of the number of issued shares at year-end.

On May 11th 2021 an extra-ordinary general meeting approved a capitalization of a total of SEK 60 million to finance the expansion of Initiator Pharma’s clinical pipeline with its proprietary clinical program – IPTN2021 – targeting an orphan drug indication in severe neuropathic pain, Trigeminal Neuralgia. The capitalization consisted of a directed share issue of approximately SEK 30.0 million and a fully guaranteed preferential rights issue of approximately SEK 29.4 million. The directed issue was directed to long-term investors led by Linc AB and Adrigo Asset Management AB. The terms for both issues included a subscription price of SEK 3.70 per new share, which corresponded to a discount of approximately 15 percent based on a VWAP counted five days back from the Board of Directors’ decision on April 13th.

On July 29th we announced that the rights issue was subscribed to a total of approx 227 percent, raising SEK 29.4 million gross and SEK 26.4 millon net of transaction costs.

The AGM held on May 28th approved a long-term incentive program to key personell. Under the approved program the board of directors is authorised to allocate up to 220.000 Investment Shares to individuals under the program, with each Investment Share carrying the right to subscribe for one share at par value at the AGM next year (Matching Share) and between 0 - 5 shares at part value at the end of 2023, depending on the development in the share price in Intitiator Pharma between May 28th 2021 and December 31, 2023 (Performance Shares). The Investment Shares need to be purchased in the market before September 30, 2021. On October 1st we announced that the board had decided to allocate a total of 152.000 shares under the program, and that 150.000 shares had been purchased under the program.

On December 31, 2021 the warrant program approved by the AGM in 2019 expired. The warrant program had an exercise price of SEK 8.40 compared to a share price of 8.14 on December 31. None of the warrants were exercised and hence 434,197 warrants expired, reducing the number of granted incentive warrants to 1,334,196, representing 3.0% of the number of issued shares.

Events after the balance sheet date

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

POTENTIAL FINANCIAL IMPACT OF COVID-19

As of February 2021 the clinical development programs of the company have been impacted by Covid-19. The company currently has three ongoing clinical trials

- **a Phase 2a** clinical trial in psychogenic erectile dysfunction (with IP2018)
- **a Phase 2b** clinical trial in organic erectile dysfunction (with IP2015)
- **a Phase 1** proof of principal clinical trial in Neuropathic pain (with IP2015)

All the ongoing clinical trials are being conducted in England. 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 MAC Clinical Research regarding the conduct of the Phase 2b trial in IPED2015, the Phase 2a trial in IP2018 and the Phase 1 trial in IPTN2021. 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 5 different patent families. There is a risk that pending and any future patent applications will not be approved and there is also a risk that granted patents will not constitute a total commercial protection in the future. Patents have a limited life-time. 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 where 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.

CORPORATE GOVERNANCE
Initiator Pharma does not provide a Corporate Governance Report for 2021. The Board of Directors has adapted the following policies:

- Rules of Procedure for the Board of Directors
- Instructions for the CEO
- Information Policy
- Remuneration Policy (approved by the AGM in 2021)

ORGANISATION
The average number of employees in the company during the year amounted to 1 of whom none were women. As of December 31 2021, the number of employees was 1 of which none were women. Of these employees, none were full-time employees, 1 were part-time employees,

In addition to its employees Initiator Pharma has a number of consultants who work with the company on an ongoing basis.

REMUNERATION
The AGM resolves on remuneration to the Chair of the Board and other Board members. The AGM in 2021 approved a policy for remunerating the CEO and other senior executives. For more information on remuneration in the year, see note 1 and the separately published Remuneration Report for 2021.

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: 244 186
Warrants held: 120 788

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: 113 106
Warrants held: 68 052

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

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: 977 438
Warrants held: 442 497

Annette Colin (b. 1965)

Member of the Board of Directors since 2021

Education: Business administration from Lund University

No. of shares held: 7 000
Warrants held: 42 000

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: 977 438
Warrants held: 442 497

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: 279 948
Warrants held: 223 813

Mikael Thomsen (b. 1968)

CDO 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: 661 056
Warrants held: 223 813

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.

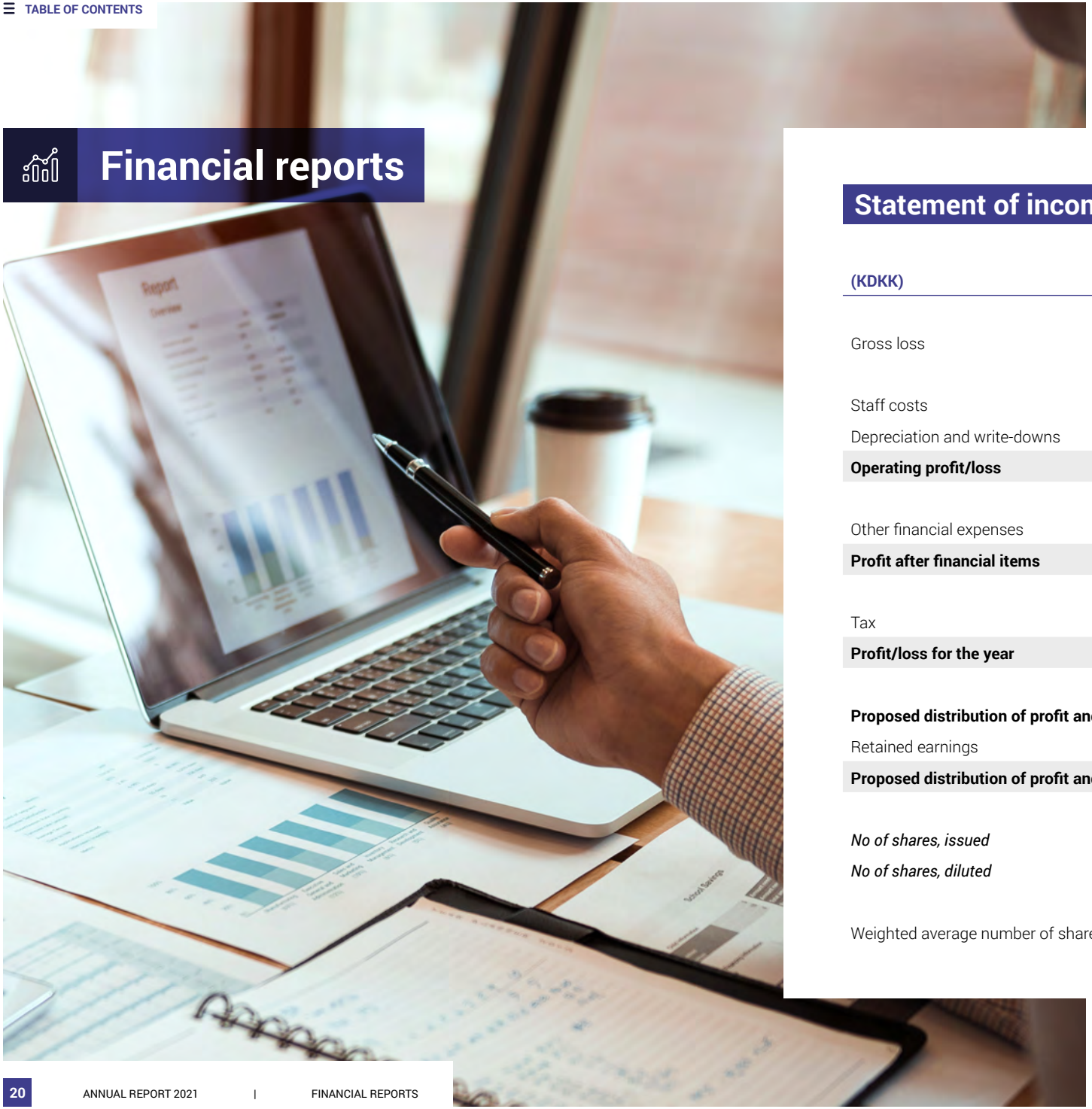
No. of shares held: 600 802
Warrants held: 133 813

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: 1 192 797
Warrants held: 43 420



Financial reports

Statement of income

(KDKK)	Notes	2021	2020
Gross loss		-21 626	-9 299
Staff costs	1	-1 435	-1 206
Depreciation and write-downs	2	-11	-26
Operating profit/loss		**-23 072**	**-10 531**
Other financial expenses		-1 172	291
Profit after financial items		**-24 244**	**-10 240**
Tax	3	3 180	1 543
Profit/loss for the year		**-21 064**	**-8 697**
Proposed distribution of profit and loss			
Retained earnings		-21 064	-8 697
Proposed distribution of profit and loss		**-21 064**	**-8 697**
No of shares, issued		43 772 462	27 705 728
No of shares, diluted		48 165 325	28 574 121
Weighted average number of shares		39 685 393	27 375 419

Balance Sheet on December 31, 2021

ASSETS

(KDKK)	Notes	2021	2020
Patents, acquired rights		-	11
Intangible assets	4	**-**	**11**
Fixed assets		**-**	**11**
Other receivables		945	487
Income Tax receivable		3 180	1 543
Contributed capital in arrears		-	58
Prepayments	5	15 230	-
Current receivables		**19 355**	**2 088**
Cash and cash equivalents	7	**34 346**	**13 504**
Current assets		**53 701**	**15 592**
Assets		**53 701**	**15 603**

EQUITY AND LIABILITIES

(KDKK)	Notes	2021	2020
Contributed capital	8	4 596	2 909
Retained earnings		30 398	11 500
Equity		**34 994**	**14 409**
Convertible credit agreement	6	13 290	-
Long-term liabilities		**13 290**	**-**
Trade payables		4 800	666
Other payables		617	528
Current liabilities other than provisions		**5 417**	**1 194**
Liabilities other than provisions		**5 417**	**1 194**
Equity and liabilities		**53 701**	**15 603**

Statement of changes in equity

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**	**14 410**

Statement of changes in equity for 2021

(KDKK)	Contributed capital	Retained earnings	Total
January 1, 2021	**2 909**	**11 501**	**14 410**
Increase of capital	1 687	39 961	41 648
Profit/loss for the year	0	-21 064	-21 064
December 31, 2021	**4 596**	**30 398**	**34 994**

Statement of cash flow

(KDKK)	Notes	2021	2020
Profit/loss before tax		-24 244	-10 240
Amortisation, depreciation and impairment losses		11	26
Profit/loss before tax, adj for non-cash transactions		**-24 233**	**-10 214**
Tax paid/received		1 543	1 687
Cash flow before change in working capital		**-22 690**	**-8 527**
Changes in working capital	9	-11 407	463
Cash flow from operating activities		**-34 097**	**-8 064**
Investing activities		-	-
Cash flow from investing activities		**-**	**-**
Financing activities			
New share issue		41 648	13 593
Issue of warrants		-	414
Credit agreement with MAC		13 290	-
Cash flow from financing activities		**54 938**	**14 007**
Cash flow for the reporting period		**20 841**	**5 943**
Cash and cash equivalents at the beginning of period		13 504	7 562
Cash and cash equivalents at the end of period		**34 346**	**13 504**

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

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 interest income and exchange gains on payables and transactions in foreign currencies.

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	2021 (DKK)	2020 (DKK)
Wages and salaries	1 429 280	1 197 987
Other social security costs	2 502	2 004
Other staff costs	2 951	6 130
	1 434 733	**1 206 121**

	Remuneration of management 2021 (DKK)	Remuneration of management 2020 (DKK)
Total amount for management categories	1 306 279	1 197 987
	1 306 279	**1 197 987**

NOTE 2 - Depreciation, amortisation and impairment losses	2021 (DKK)	2020 (DKK)
Amortisation of intangible assets	11 184	22 404
Depreciation of property, plant and equipment	0	3 654
	11 184	**26 058**

NOTE 3 - Tax on profit/loss for the year	2021 (DKK)	2020 (DKK)
Current tax	3 180 000	1 543 000
Adjustment concerning previous years	42	633
	3 180 042	**1 543 633**

NOTE 4 - Intangible assets	Acquired rights (DKK)
Cost beginning of year	112 000
Cost end of year	**112 000**
Amortisation and impairment losses beginning of year	100 816
Amortisation for the year	11 184
Amortisation and impairment losses end of year	**112 000**
Carrying amount end of year	**0**

NOTE 5 - Prepayments

During 2021 the company has been conducting several clinical trials which are performed by external suppliers, or clinical trial organizations ("CRO"). The invoicing by the CRO for the clinical trial services follow the payment plan established by the service agreements for each of the trials.

In order to account for the periodic costs of the clinical trials the company has developed a cost model that attempts to allocate the budgeted costs to the progress of the study.

Differences between invoiced costs from the CRO and the modelled costs is recognized as prepayments in the case where invoiced costs exceed the modelled costs, or as provisions in the case where invoiced costs are below modelled costs.

As of December 31, 2021 the invoiced clinical trial costs exceed the modelled costs, with TDKK 15,290 being recognized as prepayments.

NOTE 6 - Convertible and dividend-yielding debt instruments

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 7.0% of issued shares as of Dec 31, 2021 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.

As of December 31, 2021 a total of TDKK 13,021 has been accrued under the convertible credit agreement, representing a potential dilution of approx. 2.4 million shares or 5.5% of number of issued shares on December 31, 2021.

NOTE 7 - Cash

Total cash funds amounts to TDKK 34,346, of which TDKK 200 is pledged as security for the guarantee provided by the company's bank.

NOTE 8 - Share capital

	Number	Nominal value (DKK)
Shares	43,772,462	4 596 108
	43,772,462	**4 596 108**

The company has two established warrant programs, approved by the AGM in 2020 and in 2021 respectively. 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 1,334,196 warrants representing 3.0% of outstanding shares:

Year approved	Number of warrants	Subscription price	Pct of issued shares	Exercise price	Exercise deadline
AGM 2020	434 196	SEK 1.33	1.0%	SEK 6.52	Dec 31, 2022
AGM 2021	900 000	-	2.0%	DKK 0.105	Dec 31, 2023
Total	**1 334 196**		**3.0%**		

The AGM2020 Program:
Under this program the participants have acquired 434 196 warrants at an acquisition price of SEK 1.33 per warrant, with each warrant entitling the warrant holder to subscribe for 1 new share at a subscription price of SEK 6.52 until December 31, 2022. The maximum potential dilution under the program is 434,196 shares, representing approx. 1.0% of currently issued number of shares.

The AGM2021 Program ("LTI2021"):
Under this program the participants in the program have acquired 150.000 ordinary shares in the market at market price ("Investment Shares") until September 30, 2021, with each Investment Share carrying the right to subscribe for 1 new share at par value at the next AGM providing that the individual owning the Investment Share is still with the company at the time ("Matching Share"). Each Investment Share is also entitled to subscribe for between 0 and 5 new shares during 30 trading days after December 31, 2023, depending on the development of Initiator's share price in the period between May 28, 2021 and December 31, 2023. The maximum potential dilution under the program is 900,000 shares, representing approx. 2.0% of currently issued number of shares.

The warrant programs are subject to vesting conditions.

NOTE 9 - Change in working capital

	2021 (DKK)	2020 (DKK)
Increase/decrease in receivables	15 630 000	127 000
Increase/decrease in trade payables etc	4 223 000	-336 000
Change in working capital	**11 407 000**	**463 000**

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 01/01/2021 - 12/31/2021.

The annual report is presented in accordance with the Danish Financial Statements Act.

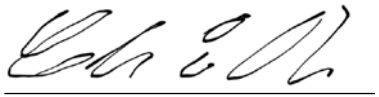
In our opinion, the financial statements give a true and fair view of the Entity's financial position at 12/31/2021 and of the results of its operations and cash flows for the fiscal year 01/01/2021-12/31/2021.

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, 04-27-2022

Executive Board



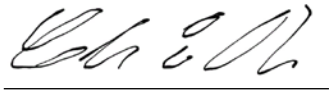
Claus Elsborg Olesen

Board of Directors

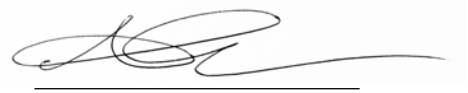
Gunnar Magnus Severus Modée Persson
Chairman

Peter Joakim Holm

Henrik Kristian Moltke



Claus Elsborg Olesen



Annette Ingegerd Marie 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 01.01.2021 - 31.12.2021 which comprise the income statement, balance sheet, statement of changes in equity, cashflow 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 (Report from the Board of Directors and the Chief Executive Officer).

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, April 27, 2022

Deloitte
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

Initiator Pharma

FINANCIAL CALENDAR

Interim Report Q1	May 6, 2022
Annual General Meeting	May 24, 2022
Interim Report Q2	August 19, 2022
Interim Report Q3	November 4, 2022
Year-End Report 2022	February 17, 2023

CONTACT INFORMATION

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