
ENKAM Pharmaceuticals A/S

Fruebjergvej 3, DK-2100 København Ø

Annual Report for 1 January - 31 December 2015

CVR No 25 81 29 21

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2016

Morten Albrechtsen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of ENKAM Pharmaceuticals A/S for the financial year 1 January - 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 31 May 2016

Executive Board

Morten Albrechtsen

Board of Directors

Robert George Mansfield
Chairman

Sven-Erik Lennart Nilsson

Jan-Eric Österlund

Jan Evert Lilja

Independent Auditor's Report on the Financial Statements

To the Shareholders of ENKAM Pharmaceuticals A/S

Report on the Financial Statements

We have audited the Financial Statements of ENKAM Pharmaceuticals A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 31 May 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorised Public Accountant

Company Information

The Company

ENKAM Pharmaceuticals A/S
Fruebjergvej 3
DK-2100 København Ø

CVR No: 25 81 29 21

Financial period: 1 January - 31 December

Municipality of reg. office: København

Board of Directors

Robert George Mansfield, Chairman
Sven-Erik Lennart Nilsson
Jan-Eric Österlund
Jan Evert Lilja

Executive Board

Morten Albrechtsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

Horten
Philip Heymans Allé 7
2900 Hellerup

Bankers

Nordea
Vesterbrogade 8, Postboks 850
0900 København C

Management's Review

Financial Statements of ENKAM Pharmaceuticals A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

ENKAM Pharmaceuticals A/S ('Enkam' or 'Company') is focused on the development of peptides which target the NCAM/FGF-receptor for the treatment of CNS disorders. Enkam's lead development candidate, FGLs, has demonstrated positive effects in models of neurodegeneration and Alzheimer's disease. FGLs has been demonstrated safe and well tolerated in a phase I clinical study.

Development in the year

The income statement of the Company for 2015 shows a loss of DKK 488,005, and at 31 December 2015 the balance sheet of the Company shows negative equity of DKK 263,400.

The Company is in discussions with pharmaceutical and biotechnology companies who are interested in Enkam's novel approaches in CNS. The company is considering partnering arrangements to provide more funding to develop these programs and ultimately sale of the program or company.

The result for the fiscal year is in accordance with expectations.

The Company is engaged in a structured sales process to form a partnership with a larger company who is interested in taking a position in this program.

The Company continues to maintain a low burn rate in a virtual setting to balance capital required for operations and development optimally.

Subsequent events

No significant events have happened since 31 December 2015, which are not already reflected in the annual report.

The Company has a history of losses because of the significant investment in research and development. Further losses in the future can be anticipated but the board is working to obtain funding via partnership to support the company going forward.

The company has now completed the phase one clinical study and reached a stage where a partnership can be formed before significant further development expenditures is incurred.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Other operating income		505.500	7.385.780
Other external expenses		-931.340	-2.716.731
Gross profit/loss		-425.840	4.669.049
Staff expenses		-66.202	-1.862.372
Profit/loss before financial income and expenses		-492.042	2.806.677
Financial income		34.973	10.119
Financial expenses		-4.747	-4.571
Profit/loss before tax		-461.816	2.812.225
Tax on profit/loss for the year		-26.189	0
Net profit/loss for the year		-488.005	2.812.225

Distribution of profit

Proposed distribution of profit

Retained earnings		-488.005	2.812.225
		-488.005	2.812.225

Balance Sheet 31 December

	Note	2015 DKK	2014 DKK
Assets			
Other receivables		170.742	28.757
Corporation tax		0	1.221.702
Receivables		170.742	1.250.459
Cash at bank and in hand		355.719	41.045
Currents assets		526.461	1.291.504
Assets		526.461	1.291.504
Liabilities and equity			
Share capital		73.756.916	73.756.916
Unpaid share capital		0	-2.142.876
Reserve for unpaid share capital		0	2.142.876
Retained earnings		-74.020.316	-75.675.187
Equity	1	-263.400	-1.918.271
Trade payables		781.105	2.738.687
Payables to group enterprises		0	422.931
Other payables		8.756	48.157
Short-term debt		789.861	3.209.775
Debt		789.861	3.209.775
Liabilities and equity		526.461	1.291.504
Related parties and ownership	2		

Statement of Changes in Equity

	Share capital	Unpaid share capital	Reserve for unpaid share capital	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	73.756.916	-2.142.876	2.142.876	-75.675.187	-1.918.271
Cash capital increase	0	2.142.876	-2.142.876	2.142.876	2.142.876
Net profit/loss for the year	0	0	0	-488.005	-488.005
Equity at 31 December	73.756.916	0	0	-74.020.316	-263.400

Notes to the Financial Statements

1 Equity

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> DKK
A-shares	333.333	333.333
B-shares	73.423.583	73.423.583
		<u>73.756.916</u>

The share capital has developed as follows:

	<u>2015</u> DKK	<u>2014</u> DKK	<u>2013</u> DKK	<u>2012</u> DKK	<u>2011</u> DKK
Share capital at 1 January	73.756.916	73.756.916	69.220.616	69.220.616	69.220.616
Capital increase	0	0	4.536.300	0	0
Capital decrease	0	0	0	0	0
Share capital at 31					
December	<u>73.756.916</u>	<u>73.756.916</u>	<u>73.756.916</u>	<u>69.220.616</u>	<u>69.220.616</u>

2 Related parties and ownership

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Migrata UK Ltd. 17 Gr. Xenopoulou Street, 3724 Limassol, Cyprus

Accounting Policies

Basis of Preparation

The Annual Report of ENKAM Pharmaceuticals A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that they have previously been recognised in the income statement..

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Income Statement

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Accounting Policies

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Other operating income

Other operating income comprises grants regarding EU projects.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Accounting Policies

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

In accordance with tax law, tax receivable are recognised, when related to this year's tax losses arising from experimental- and research cost.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.