
ENKAM Pharmaceuticals A/S

Fruebjergvej 3, DK-2100 København Ø

Annual Report for 1 January - 31 December 2017

CVR No 25 81 29 21

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/05 2018

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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 2018

Executive Board

Morten Albrechtsen

Board of Directors

Robert George Mansfield
Chairman

Sven-Erik Lennart Nilsson

Jan-Eric Österlund

Independent Auditor's Report

To the Shareholders of ENKAM Pharmaceuticals A/S

Adverse opinion

Because of the significance of the matter discussed in the basis for adverse opinion paragraph, the financial statements do not present fairly, the financial position of ENKAM Pharmaceuticals A/S as at 31 December 2017, and its financial performance for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of ENKAM Pharmaceuticals A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for adverse opinion

As discussed in Note 1 to the financial statements, ENKAM Pharmaceuticals A/S's liabilities exceed its assets, and consequently the Company risks a bankruptcy if an agreement is not entered into with the Company's creditors and additional funds are obtained from the Company's shareholders. Based on the audit evidence obtained, we believe that ENKAM Pharmaceuticals A/S will not be able to meet its obligations in the ordinary course of business. Accordingly, we do not agree with management's preparation and presentation of the financial statements on a going concern basis. The financial statements do not include the adjustments that would result, if the financial statements had been prepared based on liquidation accounting.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information re-

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quired under the Danish Financials Statements Act.

As stated in the section Basis for Adverse Opinion, our opinion on the financial statements has been modified as a result of the Company risks a bankruptcy if an agreement is not entered into with the Company's creditors and additional funds are obtained from the Company's shareholders. We have concluded that, for the same reason, the Management's Review contains material misstatement in relation to the lack of information of the adjustments that would result, if the financial statements had been prepared based on liquidation accounting.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting esti-

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mates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 31 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorised Public Accountant

mne18651

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

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 2017 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.

Key activities

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 2017 shows a loss of DKK 277,379, and at 31 December 2017 the balance sheet of the Company shows negative equity of DKK 885,809.

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

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

There has been limited business activity during 2017.

The Company's liabilities exceed it's assets, and consequently the Company risks a bankruptcy if an agreement is not entered into with the Company's creditors and additional funds are obtained from the Company's shareholders.

Subsequent events

The Company is proposed changed to an ApS without a board of directors at the annual general meeting. Robert Mansfield and Jan-Eric Österlund will not seek re-election at the annual general meeting and Morten Albrechtsen will terminated his position as CEO with effect as of May 2018.

No other significant events have happened since 31 December 2017, which are not already reflected in the annual report.

Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Other operating income		0	361.636
Other external expenses		-239.433	-633.403
Gross profit/loss		-239.433	-271.767
Staff expenses	2	-36.541	-51.355
Profit/loss before financial income and expenses		-275.974	-323.122
Financial income		62	336
Financial expenses		-1.467	-22.244
Profit/loss before tax		-277.379	-345.030
Tax on profit/loss for the year		0	0
Net profit/loss for the year		-277.379	-345.030

Distribution of profit

Proposed distribution of profit

Retained earnings		-277.379	-345.030
		-277.379	-345.030

Balance Sheet 31 December

	Note	2017 DKK	2016 DKK
Assets			
Other receivables		0	10.235
Receivables		0	10.235
Cash at bank and in hand		20.914	135.905
Currents assets		20.914	146.140
Assets		20.914	146.140
Liabilities and equity			
Share capital		73.756.916	73.756.916
Retained earnings		-74.642.725	-74.365.346
Equity		-885.809	-608.430
Payables to owners		150.000	0
Other payables		756.723	754.570
Short-term debt		906.723	754.570
Debt		906.723	754.570
Liabilities and equity		20.914	146.140
Going concern	1		
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Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 January	73.756.916	-74.365.346	-608.430
Net profit/loss for the year	<u>0</u>	<u>-277.379</u>	<u>-277.379</u>
Equity at 31 December	<u>73.756.916</u>	<u>-74.642.725</u>	<u>-885.809</u>

Notes to the Financial Statements

1 Going concern

The Company's liabilities exceed its assets, and consequently the Company risks a bankruptcy if an agreement is not entered into with the Company's creditors and additional funds are obtained from the Company's shareholders.

	<u>2017</u> DKK	<u>2016</u> DKK
2 Staff expenses		
Wages and salaries	<u>36.541</u>	<u>51.355</u>
	<u>36.541</u>	<u>51.355</u>
Average number of employees	<u>0</u>	<u>0</u>

Notes to the Financial Statements

3 Accounting Policies

The Annual Report of ENKAM Pharmaceuticals A/S for 2017 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.

The Financial Statements for 2017 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. Exchange differences 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.

Notes to the Financial Statements

3 Accounting Policies (continued)

Staff expenses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

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.

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.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

3 Accounting Policies (continued)

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.

Financial debts

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