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# ***ENKAM Pharmaceuticals A/S***

Fruebjergvej 3, DK-2100 København Ø

## **Annual Report for 1 January - 31 December 2016**

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CVR No 25 81 29 21

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/05 2017

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 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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 2017

## 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

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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 2016, 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 opinion

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 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 required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

## 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 misstate-

# Independent Auditor's Report

ment, 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 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 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

# Independent Auditor's Report

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 2017

**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

### 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 2016 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 2016 shows a loss of DKK 345,030, and at 31 December 2016 the balance sheet of the Company shows negative equity of DKK 608,430.

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 company who is interested in taking a position in this existing 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 2016, 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. Migrata UK Ltd. has confirmed the support to the Company during 2017.

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

	Note	2016 DKK	2015 DKK
Other operating income		361.636	505.500
Other external expenses		-633.403	-931.340
<b>Gross profit/loss</b>		<b>-271.767</b>	<b>-425.840</b>
Staff expenses	1	-51.355	-66.202
<b>Profit/loss before financial income and expenses</b>		<b>-323.122</b>	<b>-492.042</b>
Financial income		336	34.973
Financial expenses		-22.244	-4.747
<b>Profit/loss before tax</b>		<b>-345.030</b>	<b>-461.816</b>
Tax on profit/loss for the year		0	-26.189
<b>Net profit/loss for the year</b>		<b>-345.030</b>	<b>-488.005</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		-345.030	-488.005
		<b>-345.030</b>	<b>-488.005</b>

## Balance Sheet 31 December

	Note	2016 DKK	2015 DKK
<b>Assets</b>			
Other receivables		10.235	170.742
<b>Receivables</b>		<b>10.235</b>	<b>170.742</b>
<b>Cash at bank and in hand</b>		<b>135.905</b>	<b>355.719</b>
<b>Currents assets</b>		<b>146.140</b>	<b>526.461</b>
<b>Assets</b>		<b>146.140</b>	<b>526.461</b>
<b>Liabilities and equity</b>			
Share capital		73.756.916	73.756.916
Retained earnings		-74.365.346	-74.020.316
<b>Equity</b>	2	<b>-608.430</b>	<b>-263.400</b>
Other payables		754.570	789.861
<b>Short-term debt</b>		<b>754.570</b>	<b>789.861</b>
<b>Debt</b>		<b>754.570</b>	<b>789.861</b>
<b>Liabilities and equity</b>		<b>146.140</b>	<b>526.461</b>
Related parties	3		

## 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	-74.020.316	-263.400
Net profit/loss for the year	<u>0</u>	<u>-345.030</u>	<u>-345.030</u>
<b>Equity at 31 December</b>	<b><u>73.756.916</u></b>	<b><u>-74.365.346</u></b>	<b><u>-608.430</u></b>

# Notes to the Financial Statements

	2016 DKK	2015 DKK
<b>1 Staff expenses</b>		
Wages and salaries	51.355	66.202
	<b>51.355</b>	<b>66.202</b>
<b>Average number of employees</b>	<b>0</b>	<b>0</b>

## 2 Equity

The share capital is broken down as follow:

	Number	Nominal value DKK
A-shares	333.333	333.333
B-shares	71.575.204	71.575.204
		<b>71.908.537</b>

The share capital has developed as follows:

	2016 DKK	2015 DKK	2014 DKK	2013 DKK	2012 DKK
Share capital at 1 January	73.756.916	73.756.916	73.756.916	69.220.616	69.220.616
Capital increase	0	0	0	4.536.300	0
Capital decrease	0	0	0	0	0
<b>Share capital at 31 December</b>	<b>73.756.916</b>	<b>73.756.916</b>	<b>73.756.916</b>	<b>73.756.916</b>	<b>69.220.616</b>

## 3 Related parties

### 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  
 Advokatfirmaet Tommy Grönberg AB, Box 7543, 103 93 Stockholm, Sverige

## **Notes, Accounting Policies**

### **Basis of Preparation**

The Annual Report of ENKAM Pharmaceuticals A/S for 2016 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 2016 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, Accounting Policies**

### **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, 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.

### **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.