
Forward Pharma FA ApS

Østergade 24 A, 1., DK-1100 København K

Annual Report for 1 January - 31 December 2018

CVR No 37 28 16 03

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
8 /5 2019

Frederik B. Hasling
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Forward Pharma FA ApS for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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

Copenhagen, 8 May 2019

Executive Board

Claus Bo Søndergaard Svendsen
CEO

Board of Directors

Florian Schönharting
Chairman

Jakob Mosegaard Larsen

Claus Bo Søndergaard
Svendsen

Independent Auditor's Report

To the Shareholder of Forward Pharma FA ApS

Opinion

We have audited the financial statements of Forward Pharma FA ApS for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditor's Report

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.

Copenhagen, 8 May 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Claus Kronbak

State Authorised Public Accountant

mne28675

Company Information

The Company

Forward Pharma FA ApS
Østergade 24 A, 1.
DK-1100 København K

CVR No: 37 28 16 03

Financial period: 1 January - 31 December

Municipality of reg. office: København

Board of Directors

Florian Schönharting, Chairman
Jakob Mosegaard Larsen
Claus Bo Søndergaard Svendsen

Executive Board

Claus Bo Søndergaard Svendsen

Auditors

ERNST & YOUNG
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
DK-2000 Frederiksberg

Income Statement

| | Note | 2018 DKK | 2017 DKK |
|-----------------------------------|------|----------------|-----------------|
| Other external expenses | | -25,125 | -568,692 |
| Gross loss | | -25,125 | -568,692 |
| Financial income | 2 | 406 | 703 |
| Financial expenses | 3 | -2,954 | -4,955 |
| Loss before tax | | -27,673 | -572,944 |
| Tax on profit/loss for the period | 4 | 0 | 125,723 |
| Net loss for the year | | -27,673 | -447,221 |

Distribution of profit

Proposed distribution of profit

| | | | |
|---------------------|--|----------------|-----------------|
| Accumulated deficit | | -27,673 | -447,221 |
| | | -27,673 | -447,221 |

Balance Sheet 31 December

| | Note | 2018 DKK | 2017 DKK |
|--|------|----------------|----------------|
| Assets | | | |
| Receivables from group enterprises | | 609,000 | 0 |
| Other receivables | | 0 | 3,750 |
| Joint taxation scheme receivable | | 0 | 609,000 |
| Receivables | | 609,000 | 612,750 |
| Cash at bank and in hand | | 129,847 | 168,770 |
| Current assets | | 738,847 | 781,520 |
| Assets | | 738,847 | 781,520 |
| Liabilities and equity | | | |
| Share capital | | 50,000 | 50,000 |
| Share premium account | | 450,000 | 450,000 |
| Accumulated deficit | | -556,305 | -528,632 |
| Equity | 5 | -56,305 | -28,632 |
| Trade payables | | 0 | 15,000 |
| Payables to group enterprises | | 795,152 | 795,152 |
| Short-term debt | | 795,152 | 810,152 |
| Debt | | 795,152 | 810,152 |
| Liabilities and equity | | 738,847 | 781,520 |
| Key activities | 1 | | |
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Notes to the Financial Statements

1 Key activities

The object of the company is, to conduct business within development, manufacturing, distribution and sale of drugs and medicaments, as well as other related activities at the discretion of the board of directors.

Furthermore, the company may, within its line of business, participate in partnerships or co-operate with other businesses, including by licensing out rights within its line of business.

| | 2018 DKK | 2017 DKK |
|---------------------------|-------------|-------------|
| 2 Financial income | | |
| Exchange gains | 406 | 703 |
| | 406 | 703 |

3 Financial expenses

| | | |
|--------------------------|--------------|--------------|
| Other financial expenses | 2,954 | 4,395 |
| Exchange loss | 0 | 560 |
| | 2,954 | 4,955 |

4 Tax on profit/loss for the period

| | | |
|------------------------------|----------|-----------------|
| Joint taxation scheme refund | 0 | -125,723 |
| | 0 | -125,723 |

5 Equity

| | Share capital DKK | Share premium account DKK | Accumulated deficit DKK | Total DKK |
|------------------------------|----------------------|---------------------------------|-------------------------------|----------------|
| Equity at 1 January | 50,000 | 450,000 | -528,632 | -28,632 |
| Net loss for the year | 0 | 0 | -27,673 | -27,673 |
| Equity at 31 December | 50,000 | 450,000 | -556,305 | -56,305 |

The mother company Forward Pharma Operations ApS has decided to reestablish the lost Share capital with a tax-free contribution in 2019.

Notes to the Financial Statements

6 Contingent assets, liabilities and other financial obligations

On January 1, 2016 the Company became part of a Danish joint taxation group with NB FP Investment General Partner ApS, Forward Pharma Operations ApS and Forward Pharma A/S. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

7 Related parties

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

Forward Pharma Operations ApS

Østergade 24 A, 1.

1100 København K

Notes to the Financial Statements

8 Accounting Policies

The Annual Report of Forward Pharma FA ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Financial Statements included herein 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 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.

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Other external expenses

Other external expenses comprise office expenses, etc.

Notes to the Financial Statements

8 Accounting Policies (continued)

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 period

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.

The Company is a part of a Danish joint taxation group with NB FP Investment General Partner ApS, Forward Pharma Operations ApS and Forward Pharma A/S. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Under applicable provisions of the Danish taxation law, the Company is entitled to obtain a refund at the prevailing tax rate from other entities within the joint taxation group who utilized tax losses of the Company. The tax on profit/loss for financial year 2017 is the amount due to the Company for the joint taxation group's utilization of the Company's tax loss.

There was no similar utilization of the loss for the Company's tax loss for 2018.

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.

Capital contributions from group companies

Amounts received from Group companies without any obligation to repay and for which no shares are issued are recognised as contributions from group companies directly in equity.