
Forward Pharma FA ApS

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

Annual Report for 3 December 2015 - 31 December 2016

CVR No 37 28 16 03

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/5 2017

Jakob Mosegaard Larsen
Chairman



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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 3 December 2015 - 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 the financial year 3 December 2015 - 31 December 31, 2016.

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

Copenhagen K, 29 May 2017

Executive Board

Peder Møller Andersen
CEO

Board of Directors

Florian Schönharting
Chairman

Jakob Mosegaard Larsen

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 3 December 2015 – 31 December 2016, which comprise an income statement, balance sheet 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 2016 and of the results of the Company's operations for the financial year 3 December 2015 – 31 December 2016 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 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. 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 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 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.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the

Independent Auditor's Report

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 conclusion is 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.

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, 29 May 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Claus Kronbak
State Authorised
Public Accountant

Company Information

The Company

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

CVR No: 37 28 16 03

Financial period: 3 December 2015 - 31 December 2016

Municipality of reg. office: København

Board of Directors

Florian Schønharting, Chairman
Jakob Mosegaard Larsen

Executive Board

Peder Møller Andersen

Auditors

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

Income Statement

3 December 2015 - 31 December 2016

	<u>Note</u>	<u>2015/16</u> DKK
Other external expenses		-2,245,551
Gross loss		-2,245,551
Financial income	2	80,921
Financial expenses	3	-32,083
Loss before tax		-2,196,713
Tax on profit/loss for the period	4	483,277
Net loss for the period		-1,713,436

Distribution of loss

Proposed distribution of loss

Accumulated deficit	-1,713,436
	-1,713,436

Balance Sheet 31 December

	<u>Note</u>	<u>2015/16</u> DKK
Assets		
Receivables from group enterprises		4,513
Deferred tax asset		483,277
Receivables		<u>487,790</u>
Cash at bank and in hand		<u>955,079</u>
Currents assets		<u>1,442,869</u>
Assets		<u>1,442,869</u>
Liabilities and equity		
Share capital		50,000
Share premium account		450,000
Accumulated deficit		-81,411
Equity	5	<u>418,589</u>
Trade payables		224,615
Payables to group enterprises		799,665
Short-term debt		<u>1,024,280</u>
Debt		<u>1,024,280</u>
Liabilities and equity		<u>1,442,869</u>
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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.

	<u>2015/16</u> DKK
2 Financial income	
Other financial income	19
Exchange gains	<u>80,902</u>
	<u>80,921</u>
3 Financial expenses	
Other financial expenses	3,908
Exchange loss	<u>28,175</u>
	<u>32,083</u>
4 Tax on profit/loss for the period	
Current tax for the year	0
Deferred tax for the year	<u>-483,277</u>
	<u>-483,277</u>

Notes to the Financial Statements

5 Equity

	Share capital	Share premium	Accumulated	Total
	DKK	DKK	DKK	DKK
Equity at 3 December 2015	0	0	0	0
Cash payment concerning formation of entity	50,000	450,000	0	500,000
Contribution from group	0	0	1,632,025	1,632,025
Net profit/loss for the year	0	0	-1,713,436	-1,713,436
Equity at 31 December 2016	50,000	450,000	-81,411	418,589

6 Contingent assets, liabilities and other financial obligations

On January 1, 2016 the Company became part of a new Danish joint taxation group with NB FP Investment General Partner ApS and Forward Pharma A/S (the Company's shareholders).

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 A/S
Østergade 24 A, 1.
1100 København K

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Forward Pharma FA ApS for the financial year 3 December 2015 - 31 December 31, 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

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, Accounting Policies

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 jointly taxed with 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 3 December 2015 – 31 December 2016 is the amount due to the Company for the joint taxation group's utilization of the Company's tax loss.

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.