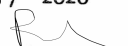

Forward Pharma FA ApS

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

Annual Report for 1 January - 31 December 2019

CVR No 37 28 16 03

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
4 6 / 2020


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 2019.

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 2019 of the Company and of the results of the Company operations for 2019.


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

Copenhagen,

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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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.

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.

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.

Independent Auditor's Report

Copenhagen, *7 May 2020*
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
Dirch Passers Allé 36
DK-2000 Frederiksberg

Income Statement

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Other external expenses		-30,944	-25,125
Gross loss		-30,944	-25,125
Financial income	2	92	406
Financial expenses	3	-3,244	-2,954
Loss before tax		-34,096	-27,673
Tax on profit/loss for the period		0	0
Net loss for the year		-34,096	-27,673

Distribution of profit

Proposed distribution of profit

Accumulated deficit		-34,096	-27,673
		-34,096	-27,673

Balance Sheet 31 December

	Note	2019 DKK	2018 DKK
Assets			
Receivables from group enterprises		609,000	609,000
Receivables		609,000	609,000
Cash at bank and in hand		105,751	129,847
Current assets		714,751	738,847
Assets		714,751	738,847
Liabilities and equity			
Share capital		50,000	50,000
Share premium account		550,000	450,000
Accumulated deficit		-590,401	-556,305
Equity	4	9,599	-56,305
Accrued liabilities		10,000	0
Payables to group enterprises		695,152	795,152
Short-term debt		705,152	795,152
Debt		705,152	795,152
Liabilities and equity		714,751	738,847
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Notes to the Financial Statements

1 Key activities

The object of Forward Pharma FA ApS (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.

	2019 DKK	2018 DKK
2 Financial income		
Exchange gains	92	406
	<u>92</u>	<u>406</u>
3 Financial expenses		
Other financial expenses	3,221	2,954
Exchange loss	23	0
	<u>3,244</u>	<u>2,954</u>

4 Equity

	Share capital DKK	Share premium account DKK	Accumulated deficit DKK	Total DKK
Equity at 1 January	50,000	450,000	-556,305	-56,305
Capital increase	0	100,000	0	100,000
Net loss for the year	0	0	-34,096	-34,096
Equity at 31 December	<u>50,000</u>	<u>550,000</u>	<u>-590,401</u>	<u>9,599</u>

The parent company, Forward Pharma Operations ApS, has decided to reestablish the lost share capital with a tax-free contribution of 100,000 DKK in 2020.

Notes to the Financial Statements

5 Contingent assets, liabilities and other financial obligations

The Company is a part of a Danish joint taxation group with NB FP Investment General Partner ApS, Forward Pharma A/S and Forward Pharma Operations ApS (the Company's shareholder). Each company within the joint tax group is jointly and severally liable for Danish tax liabilities of the joint tax group. Any subsequent adjustments of corporation taxes may increase the Company's liability.

The Danish and German tax authorities are currently conducting a joint tax audit on the tax return for Forward Pharma A/S and Forward Pharma GmbH through the year ended 31 December 2017. Management believes that appropriate tax filing provisions have been taken by the Company; however, there is always a risk that the tax authorities could disagree with the tax filing positions taken resulting in additional taxes, interest and penalty becoming due and such amount could be material.

6 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

7 Accounting Policies

The Annual Report of Forward Pharma FA ApS for 2019 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 Danish kroner (DKK).

Recognition and measurement

Revenues are recognised in the income statement as earned in accordance with International Financial Reporting Standard No.15 Revenues from Contracts with Customers. Furthermore, financial assets and liabilities are measured at fair value or amortized. 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 adjustments related to changes in accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognized in the balance sheet when it is probable that the asset will provide future economic benefit that 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 under the caption "Balance Sheet."

Translation policies

Transactions are measured in DKK.

Transactions in foreign currencies are initially recorded by the Company using the spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated to DKK based on currency spot rates at each reporting date. Differences arising on settlement or translation of monetary items denominated in foreign currency are recognized in the income statement. The Company does not hedge foreign exchange transactions.

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 items of the main activities of the Company.

Notes to the Financial Statements

7 Accounting Policies (continued)

Financial income and expenses

Finance income (expense) primarily include interest income on USD cash holdings offset by bank charges (negative interest) related to DKK and EUR cash holdings.

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 result for the year is recognised in the income statement.

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation or "uncertainty". An income tax position taken in a tax filing is reflected in determination of income taxes if it considered probable that the position can be sustained.

At 31 December 2019 and 2018, the Company's ability to generate taxable profits in the future are not assured; therefore, the Company's deferred tax assets at 31 December 2019 and 2018 do not meet the criteria for financial statement recognition.

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 tax is provided based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized. Deferred tax assets and deferred tax liabilities of the same tax jurisdiction are offset if a legally enforceable right exists to set off.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the

Notes to the Financial Statements

7 Accounting Policies (continued)

deferred tax asset to be recovered.

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.

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.

Financial debts

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