
Forward Pharma Operations ApS

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

Annual Report for 30 June - 31 December 2017

CVR No 38 75 75 04

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/5 2018

Frederik B. Hasling
Chairman



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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Forward PharmaOperations ApS for the financial period 30 June - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my 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.

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

Copenhagen K, 28 May 2018

Executive Board

Claus Bo Søndergaard Svendsen
CEO

Independent Auditor's Report

To the Shareholder of Forward Pharma Operations ApS

Opinion

We have audited the financial statements of Forward Pharma Operations ApS for the financial year 30 June – 31 December 2017, 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 2017 and of the results of the Company's operations for the financial year 30 June – 31 December 2017 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

Independent Auditor's Report

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 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, 28 May 2018

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Claus Kronbak

State Authorised Public Accountant

MNE-no.: mne28675

Company Information

The Company

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

CVR No: 38 75 75 04
Financial period: 30 June - 31 December
Municipality of reg. office: København

Executive Board

Claus Bo Søndergaard Svendsen

Auditors

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

Income Statement

30 June - 31 December 2017

	<u>Note</u>	<u>2017</u> DKK
Revenue		1,652,952
Other external expenses		<u>-30,787,624</u>
Gross profit/loss		-29,134,672
Impairment of investments in subsidiaries		-417,000
Financial income	2	428,058
Financial expenses	3	<u>-2,814,552</u>
Loss before tax		-31,938,166
Tax on profit/loss for the period	4	<u>6,893,000</u>
Net profit/loss for the year		<u>-25,045,166</u>

Distribution of profit

Proposed distribution of profit

Accumulated deficit		<u>-25,045,166</u>
		<u>-25,045,166</u>

Balance Sheet 31 December

Assets

	<u>Note</u>	<u>2017</u> DKK
Investments in subsidiaries		19,363,774
Fixed asset investments		19,363,774
Fixed assets		19,363,774
Receivables from group enterprises		443,004,008
Other receivables		541,842
Joint taxation scheme receivable		6,910,000
Prepayments		279,096
Receivables		450,734,946
Cash at bank and in hand		175,881,787
Current assets		626,616,733
Assets		645,980,507

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>	<u>2017</u> DKK
Share capital		50,000
Share premium account		665,306,000
Accumulated deficit		<u>-25,045,166</u>
Equity	5	<u>640,310,834</u>
Provision for deferred tax		<u>17,000</u>
Provisions		<u>17,000</u>
Trade payables		<u>5,652,673</u>
Short-term debt		<u>5,652,673</u>
Debt		<u>5,652,673</u>
Liabilities and equity		<u>645,980,507</u>
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Notes to the Financial Statements

1 Key activities

Forward Pharma Operations ApS (the "Company") is a Danish limited liability company and is a wholly owned subsidiary of Forward Pharma A/S (the "Parent"). Effective as of 1 February 2017, the Parent entered into a Settlement and License Agreement (the "License Agreement") with two wholly owned subsidiaries of Biogen Inc. (collectively "Biogen"). In connection with the Licensing Agreement, the Parent restructured its operations ("Restructuring"). The Restructuring included the Parent, on 30 June 2017, forming the Company and contributed to the Company certain assets and liabilities, including its investment in Forward Pharma FA ApS and Forward Pharma GmbH and the legal and beneficial rights, title and interest to defined intellectual property ("IP"). Upon formation, the Company transferred the IP to FWP IP, ApS ("FWP IP") (a newly created wholly owned Danish limited liability company) and on 22 November 2017, the Company sold the capital stock of FWP IP to FWP HoldCo ApS, a newly formed Danish limited liability company that is owned and controlled by FWP Fonden, a newly formed independent Danish foundation. The primary objective of the Company is to defend and protect the Parent's interest in the IP including maximizing the potential benefits from the Licensing Agreement.

All shares of FWP IP were sold in November 2017.

2 Financial income

	2017 DKK
Interest income	397,987
Exchange gains	30,071
	428,058

3 Financial expenses

Interest paid to group enterprises	171,078
Other financial expenses	7,383
Exchange loss	2,636,091
	2,814,552

4 Tax on profit/loss for the period

Joint taxation scheme refund	-6,910,000
Deferred tax for the year	17,000
	-6,893,000

Notes to the Financial Statements

5 Equity

	Share capital	Share premium	Accumulated	Total
	DKK	DKK	DKK	DKK
Equity at 30 June	0	0	0	0
Assets contributed on formation of entity	50,000	665,306,000	0	665,356,000
Net profit/loss for the year	0	0	-25,045,166	-25,045,166
Equity at 31 December	50,000	665,306,000	-25,045,166	640,310,834

6 Contingent assets, liabilities and other financial obligations

The Company is a part of a new Danish joint taxation group with NB FP Investment General Partner ApS and Forward Pharma A/S (the Company's shareholders). 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.

Notes to the Financial Statements

7 Accounting Policies

The Annual Report of Forward Pharma Operations ApS for 2017 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

Revenue

Revenue comprises of Management fee charged to other Group entities. Management fee is recognized along with provision of the related services.

Notes to the Financial Statements

7 Accounting Policies (continued)

Other external expenses

Other external expenses comprise office expenses, etc.

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 NB FP Investment General Partner ApS. 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.

Balance Sheet

Investments in subsidiaries

Investments in subsidiaries are measured at cost. The shares were upon contribution from Forward Pharma A/S measured at the carrying amount of the underlying net assets in the consolidated financial statements of Forward Pharma A/S.

Investment in subsidiaries reviewed annually for indicators of impairment and written down to the higher of value in use and fair value less costs to sell if lower than the carrying amount.

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.

Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums, subscriptions and interest.

Notes to the Financial Statements

7 Accounting Policies (continued)

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, including the tax base of tax loss carry-forwards, 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.

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.