Forward Pharma A/S

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

Annual Report for 1 January - 31 December 2021

CVR No 28 86 58 80

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 20/5 2022

Frederik B. Hasling
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Forward Pharma A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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

Copenhagen, 2 May 2022

Executive Board

Claus Bo Søndergaard Svendsen
CEO

Board of Directors

Florian Schönharting
Chairman

Torsten Goesch

Jakob Mosegaard Larsen

Grant Hellier Lawrence

Duncan Moore

Independent Auditor's Report

To the Shareholders of Forward Pharma A/S

Opinion

We have audited the Financial Statements of Forward Pharma A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2021. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matter below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the financial statements.

Accounting for tax uncertainties

As discussed in note 6 to the financial statements, the German tax authorities are conducting an income tax audit on the Company's subsidiary's German corporate income tax returns covering multiple years through the year ended December 31, 2017 with primary focus on one intercompany transaction that occurred in 2017. The tax audit could result in the German tax authorities disagreeing with the tax filing positions taken by the Company's subsidiary in Germany, which could give rise to additional tax payments, including interest and penalties, that could be material. Management has determined that it is probable (i.e. more likely than not) that the Company's German subsidiary will not be required to pay additional taxes upon the ultimate resolution of the tax audit and no provision for tax uncertainties was recognized.

Auditing the Company's accounting for tax uncertainties was complex due to the fact that management's assessment of the tax rules and regulations is inherently subjective. The tax rules and regulations in Germany are complex and therefore there is uncertainty whether management's interpretation and application of these rules and regulations to determine tax filing positions in Germany will be accepted by the tax authorities.

To audit the Company's accounting for tax uncertainties as a result of the ongoing German tax audit, our procedures included, among others, evaluating management's assessment of the outcome of the German tax audit based on developments during the year. For example, we assessed the most recent correspondence with the German tax authorities. We evaluated the tax opinions and memorandums provided by the Company's and its subsidiary's third-party tax advisors. We involved tax professionals to assist in evaluating the accounting for the tax uncertainties and application of tax rules and regulations applied by management in their assessment. We assessed the adequacy of disclosures related to the German tax audit included in 6 to the financial statements.

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 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:

Independent Auditor's Report

- 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 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Fi-

Independent Auditor's Report

nancial 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, we conclude that the 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.

Copenhagen, 2 May 2022
EY Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Jens Thordahl Nøhr
State Authorised Public Accountant
mne32212

Company Information

The Company	Forward Pharma A/S Østergade 24 A, 1. DK-1100 København K CVR No: 28 86 58 80 Financial period: 1 January - 31 December Municipality of reg. office: København
Board of Directors	Florian Schönharting, Chairman Torsten Goesch Jakob Mosegaard Larsen Grant Hellier Lawrence Duncan Moore
Executive Board	Claus Bo Søndergaard Svendsen
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg

Management's Review

Forward Pharma A/S (the "Company") is a limited liability company incorporated and domiciled in Denmark. The registered office is located in Copenhagen, Denmark. The Company has two wholly owned subsidiaries, Forward Pharma USA, LLC ("LLC"), incorporated in the state of Delaware, United States, and Forward Pharma Operations ApS ("Operations"), incorporated in Denmark. Operations has two wholly owned subsidiaries, Forward Pharma FA ApS, incorporated in Denmark, and Forward Pharma GmbH ("FP GmbH"), incorporated in Germany. A liquidation of GmbH was initiated on January 29, 2020. The Company and its direct and indirect subsidiaries are collectively referred to as the "Group".

The accompanying financial statements are those of the Company only. The Company's directly owned subsidiaries (LLC and Operations) are reflected in the accompanying financial statements as "Investments in subsidiaries."

In February 2017, the Company entered into a Settlement and License Agreement (the "License Agreement") with two wholly owned subsidiaries of Biogen Inc. (collectively "Biogen"). Prior to entering into the License Agreement, the Company was actively developing FP187®, a proprietary formulation of dimethyl fumarate ("DMF"), for the treatment of multiple sclerosis ("MS") patients. In accordance with the License Agreement, Biogen paid the Company a non-refundable fee of $1.25 billion (DKK 8.7 billion) ("Non-refundable Fee") in February 2017. The License Agreement also provided for contingently payable royalties due to the Group, as defined in the License Agreement, based on the outcome of certain matters discussed further below.

The License Agreement did not resolve, among others, the pending opposition proceeding (the "Opposition Proceeding") against the Company's European patent EP2801355 ("the '355 Patent"). The License Agreement contemplated the Opposition Division, the Technical Board of Appeal and the Enlarged Board of Appeal of the European Patent Office (the "EPO"), as applicable, to make final determinations in the proceedings before them. The final determinations in the proceedings would determine whether future royalties are due to the Company in accordance with the License Agreement.

If the Company is successful in the Opposition Proceeding (i.e., the Company obtains, as a result of the Opposition Proceeding, and any appeals therefrom, a patent with a claim covering oral treatment of MS with 480 mg/day of DMF), the Group would be eligible beginning on January 1, 2021 to collect a 10% royalty (increasing to 20% from January 1, 2029) until the earlier of the expiration or invalidation of the patents defined in the License Agreement, on a country-by-country basis on Biogen's net sales outside the United States of DMF-containing products indicated for treating MS that, but for the license granted under the License Agreement, would infringe a Company patent, provided that other conditions of the License Agreement are satisfied. Among the conditions that need to be satisfied for any royalty to be payable by Biogen to the Group is the absence of generic entry in a particular geography having a particular impact as defined in the License Agreement. If the Company is unsuccessful in the Opposition Proceeding and any appeals therefrom, the Group would not be entitled to future royalties on Biogen's net sales outside the United States.

On January 29, 2018, the Opposition Division of the EPO concluded the oral proceedings concerning the '355 Patent. The Opposition Division revoked the '355 Patent after considering third-party oppositions from several opponents. On May 7, 2018, the Company appealed the Opposition Division's decision to the Technical Board of Appeal ("TBA") of the EPO. On July 8, 2019, the Company received notice from the

EPO that the appeal would be heard by the TBA of the EPO on June 18, 2020 (the "2020 Hearing").

The 2020 Hearing was postponed twice as the result of the ongoing COVID-19 pandemic and was finally heard by the TBA on September 6, 2021 (the "September 2021 Hearing"). At the conclusion of the September 2021 Hearing, the TBA announced that it had dismissed the Company's appeal of the previous decision of the Opposition Division to revoke the 355 Patent and that the detailed reasons for the dismissal would be published at a later date. The TBA made its decision after considering the Company's appeal against the decision of the Opposition Division and third-party submissions from several opponents.

The TBA published the detailed reasons for its decision on November 18, 2021. Following the review and evaluation of the TBA's published reasoning for its decision, the Company submitted a petition ("Petition") to the Enlarged Board of Appeal ("EBA") of the EPO asking the EBA to review the TBA's decision in an effort to overturn the unfavorable outcome. The Petition asserts that a procedural error was made by the TBA that resulted in the erroneous decision to dismiss the Company's appeal. While management believes there are compelling factors supporting why the TBA failed to comply with the required procedural aspects when reaching its decision in the September 2021 Hearing, the likelihood of the Petition being successful is low.

The Petition to the EBA was submitted on January 27, 2022 and management estimates that it will take between six and twelve months to receive a response whether the EBA will admit the Petition.

If the EBA rejects the Petition and declines to review the TBA's decision, it would end the Opposition Proceeding in favor of the opponents. The rejection of the Petition would also represent an unsuccessful outcome of the Opposition Proceeding, resulting in no royalties being due to the Group from Biogen based on Biogen's net sales outside the United States, as defined in the License Agreement.

If the EBA admits the Petition and elects to review the TBA's decision, management expects the EBA to take up to two years to reach a conclusion as to whether the TBA complied with the required procedural aspects while conducting the September 2021 Hearing.

If after the EBA completes its review, it does not agree with management that the TBA failed to comply with certain procedural aspects while conducting the September 2021 Hearing, it would represent an unsuccessful outcome of the Opposition Proceeding, resulting in no royalties being due to the Group from Biogen based on Biogen's net sales outside the United States, as defined in the License Agreement.

If after the EBA completes its review, it agrees with management that the TBA failed to comply with certain procedural aspects while conducting the September 2021 Hearing, the EBA may ask the TBA to hear the parties again and reach a new decision. If the TBA reverses its decision and now rules in favor of the Company, management expects the TBA will remand the case to the Opposition Division, in order for the Opposition Division to resolve the remaining elements of the original opposition. If the TBA remands the case to the Opposition Division, it is uncertain when the Opposition Division would resolve the remaining elements of the original opposition and there is a real risk that the Opposition Division rules against the Company after considering the remaining elements of the original opposition. Since we are not entitled to any royalty payments until and unless all remaining elements of the Opposition

Management's Review

Proceeding are resolved in our favor, the earliest time we may expect to receive any revenues from the License Agreement, if at all, is 2026.

If the TBA does not reverse its decision, it would represent an unsuccessful outcome of the Opposition Proceeding, resulting in no royalties being due to the Group from Biogen based on Biogen's net sales outside the United States, as defined in the License Agreement.

As a result of entering into the License Agreement, combined with, among other things, the Company has permanently discontinued the development of DMF formulations, including FP187®.

The income statement of the Company for the year ended December 31, 2021 shows a loss of DKK 12.3 million. As of December 31, 2021, the Company held cash and cash equivalents of DKK 251.4 million and the Company's equity totaled DKK 461.9 million. The Company currently estimates that there will be adequate liquidity to continue as a going concern beyond the next twelve months. There is a high level of uncertainty in estimating the costs we will incur to continue the Opposition Proceeding and to defend and protect the intellectual property associated with the Company. There are other uncertainties that could negatively affect our estimated cash spend in 2022 including, but not limited to, an unforeseen negative outcome of the tax audit in Germany. For more detailed information, please go to note 6.

Accordingly, our estimated use of cash for the year ending December 31, 2022 could change near-term and the change could be material. We have no long-term financial commitments, such as lines of credit or guarantees, which are expected to affect our liquidity, other than an office rental lease, which we consider immaterial.

We currently expect that our operating results, excluding the effect of the matter discussed below, will remain at current levels in the future or exhibit a slightly lower deficit.

As discussed in more detail in Note 1 and 6 to the accompanying financial statements, the Company's indirectly owned subsidiary, FP GmbH, subsequent to the balance sheet date submitted an application to the German insolvency court to enter into debtor-in-possession proceedings on 28 April 2022. As a result of FP GmbH entering into debtor-in-possession proceedings, the Company will incur a non-cash impairment loss on investments in subsidiaries of approximately 19.4 million DKK that will be reflected in the Company's operating results for the year ending December 31, 2022.

Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Other operating income		5,732,633	3,959,096
Other external expenses		-16,545,563	-11,722,824
Gross loss		**-10,812,930**	**-7,763,728**
Staff expenses	2	-2,876,584	-5,054,589
Impairment of investments in subsidiaries		-11,189,750	-11,502,472
Loss before financial income and expenses		**-24,879,264**	**-24,320,789**
Financial income	3	13,734,503	693,608
Financial expenses	4	-1,126,376	-18,575,530
Loss before tax		**-12,271,137**	**-42,202,711**
Tax on profit/loss for the year	5	0	1,020
Net loss for the year		**-12,271,137**	**-42,201,691**

Distribution of profit

Proposed distribution of profit

Retained earnings	-12,271,137	-42,201,691
	-12,271,137	**-42,201,691**

Balance Sheet 31 December

Assets

	Note	2021	2020
		DKK	DKK
Investments in subsidiaries		305,177,531	314,835,681
Fixed asset investments		**305,177,531**	**314,835,681**
Fixed assets		**305,177,531**	**314,835,681**
Receivables from group enterprises		1,114,554	451,798
Other receivables		142,282	170,702
Corporation tax		0	1,189,109
Prepayments		3,195,252	2,020,026
Receivables		**4,452,088**	**3,831,635**
Cash at bank and in hand		**251,430,660**	**256,198,495**
Current assets		**255,882,748**	**260,030,130**
Assets		**561,060,279**	**574,865,811**

Balance Sheet 31 December

Liabilities and equity

	Note	2021	2020
		DKK	DKK
Share capital		982,644	964,876
Other reserves		44,179,104	44,169,038
Retained earnings		416,701,632	428,972,769
Equity		**461,863,380**	**474,106,683**
Trade payables		342,011	2,732,798
Payables to group enterprises		96,284,833	95,334,024
Other payables		47,631	290,559
Accrued liabilities		2,522,424	2,401,747
Short-term debt		**99,196,899**	**100,759,128**
Debt		**99,196,899**	**100,759,128**
Liabilities and equity		**561,060,279**	**574,865,811**
Subsequent events	1		
Contingent assets, liabilities and other financial obligations	6		
Intellectual Property Proceedings and the Settlement and License Agreement	7		
Accounting Policies	8		

Statement of Changes in Equity

	Share capital	Other reserves	Retained earnings	Total
	DKK	DKK	DKK	DKK
2021				
Equity at 1 January	964,876	44,169,038	428,972,769	474,106,683
Share issuance	17,768	0	0	17,768
Share-based compensation	0	10,066	0	10,066
Net loss for the year	0	0	-12,271,137	-12,271,137
Equity at 31 December	**982,644**	**44,179,104**	**416,701,632**	**461,863,380**
2020				
Equity at 1 January	950,739	43,801,655	471,174,460	515,926,854
Share issuance	14,137	0	0	14,137
Share-based compensation	0	2,215,675	0	2,215,675
Equity award payments	0	-1,848,292	0	-1,848,292
Net loss for the year	0	0	-42,201,691	-42,201,691
Equity at 31 December	**964,876**	**44,169,038**	**428,972,769**	**474,106,683**

Notes to the Financial Statements

1 Subsequent events

Subsequent to December 31, 2021, there were no events that are required to be reported except for the matters discussed in Note 7, regarding the Opposition Proceeding, Note 6, regarding Forward Pharma GmbH (an indirectly owned subsidiary of the Company referred to as "FP GmbH") which has submitted an application to begin debtor-in-possession ("DIP") proceedings, causing the Company to incur a non-cash impairment loss on investments in subsidiaries of approximately 19.4 million DKK and the exercise of equity awards representing 1.0 million ordinary shares at a per share exercise price of 0.01 DKK.

The Company and its directly and indirectly owned subsidiaries are collectively referred to as the "Group".

The directly owned subsidiaries are Forward Pharma Operations ApS ("Operations") and Forward Pharma USA, LLC ("FP USA"). "FP GmbH" is an indirectly owned subsidiary.

	2021	2020
	DKK	DKK
2 Staff expenses		
Wages and salaries	2,847,345	2,918,218
Other social security expenses	19,173	22,643
Warrants & share-based payments	10,066	2,113,728
	2,876,584	**5,054,589**
Average number of employees	**2**	**2**

3 Financial income

Interest allowance, corporation tax	284,565	0
Other financial income	0	692,541
Exchange gains	13,449,938	1,067
	13,734,503	**693,608**

4 Financial expenses

Interest paid to group enterprises	950,808	941,359
Other financial expenses	152,580	79,773
Exchange losses	22,988	17,554,398
	1,126,376	**18,575,530**

Notes to the Financial Statements

	2021	2020
	DKK	DKK
5 Tax on profit/loss for the year		
Current tax for the year	0	-1,020
	0	**-1,020**

6 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company is part of a Danish joint tax group. Under Danish tax rules, the Company is jointly and severally liable, with other members of the Danish joint tax group, for tax obligations of the Danish tax group. Any subsequent adjustments to the Danish joint tax group's taxable income may increase the Company's liability.

Tax uncertainties

The Danish and German tax authorities were conducting a joint tax audit of the Company's Danish tax return and FP GmbH´s German tax return. The joint tax audit covered multiple years through the year ended December 31, 2017. The joint tax audit focused primarily on one intercompany transaction that occurred in 2017 between the Company and FP GmbH (the “Transaction”) to ensure the Transaction was conducted at fair value as determined in accordance with generally accepted arm’s length principles applicable to taxing cross-border transactions. The Danish and German tax authorities were unable to reach agreement as to whether the Transaction was conducted at fair value and terminated the joint income tax audit in the second quarter of 2021.

Tax Audit in Denmark

On June 2, 2021, the Company received notice from the Danish tax authorities that they had accepted the Group's 2017 Danish income tax filling and that the Danish income tax audit had concluded; however, the Danish tax authorities reserve the right to audit the Danish tax affairs of the Group at a future date. The Danish tax authorities determined that the Transaction could be considered to be at arm's length terms and found no reason to charge the pricing of the Transaction as reported in the Group's Danish income tax filling.

Notes to the Financial Statements

6 Contingent assets, liabilities and other financial obligations (continued)

Tax Audit in Germany

The tax audit in Germany is ongoing. The German tax authorities, in their preliminary assessment, have asserted that they believe the Transaction was not conducted in accordance with arm’s length principles applicable to cross-border intercompany transactions and that FP GmbH under reported its taxable income by 265 million EUR (2.0 billion DKK based on the December 31, 2021 exchange rate.) A tax levy computed based on the preliminary assessment, after utilization of FP GmbH’s available tax loss carryforward, and before any applicable interest and/or penalty, would be approximate 80.7 million EUR (600 million DKK based on the December 31, 2021 exchange rate.) Management believes the Transaction was conducted at arm’s length and the tax filing position taken by FP GmbH is correct.

Management has determined, based on consultations with the Group’s tax advisors, that it is probable (i.e., more likely than not) that FP GmbH will not be required to pay additional taxes to the German tax authorities upon the ultimate resolution of the tax dispute in Germany. However, such determination is inherently subjective and, if it is incorrect, then the Group may be subject to significant additional tax levies. The ultimate resolution of the tax dispute in Germany may require that the Group incur a material outflow of cash that would negatively affect the Group’s financial position, results of operations and cash holdings.

At the conclusion of the tax audit in Germany, if the German tax authorities are successful in increasing FP GmbH’s taxable income and if FP GmbH is unable to pay the related tax levy, the German tax authorities could commence litigation against the Company in Denmark to collect the outstanding balance of the tax levy. If such were to occur, it would likely be time consuming to resolve, very costly to the Company to defend, and could have a material negative effect on the Company’s financial position, operating results and cash holdings.

FP GmbH does not have sufficient liquidity or any other assets enabling it to pay a material tax levy when a final tax assessment is issued by the German tax authorities. Upon the receipt of a material final tax assessment, FP GmbH’s management will evaluate whether an over-indebtedness or illiquidity condition existed under German law and whether FP GmbH has become insolvent. If FP GmbH’s management concludes that FP GmbH has become either over-indebted or illiquid, insolvency proceedings will commence in a German court. FP GmbH will take all available steps to avoid insolvency, including, but not limited to, appealing the tax assessment and requesting suspension of execution of the tax assessment notice; however, depending on the facts and circumstances at the time the final tax assessment is issued by the German tax authorities, FP GmbH’s management may not be able to avoid the insolvency of FP GmbH. If FP GmbH is unsuccessful in avoiding insolvency, a court-appointed insolvency administrator (“Administrator”) will commence overseeing the day-to-day operations of FP GmbH and the management of FP GmbH will no longer control FP GmbH. In advance of receiving the final audit assessment from the German tax authorities, management submitted an application to the German courts to allow FP GmbH to enter debtor-in-possession (“DIP”) proceedings on 28 April 2022. Entering DIP proceedings allows FP GmbH’s management to remain in control of the day-to-day activities of FP GmbH while a court-appointed supervisor would monitor the activities of FP GmbH. There is no assurance the

Notes to the Financial Statements

6 Contingent assets, liabilities and other financial obligations (continued)

application will be accepted by the German court and if the court were to reject the application, insolvency proceedings would begin, management would lose control of the day-to-day activities of FP GmbH and the Administrator would begin managing the day-to-day activities of FP GmbH. Under DIP proceedings, FP GmbH's management is obligated, when overseeing the day-to-day operations of FP GmbH, to put the interest of creditors before the interest of shareholders. For financial reporting purposes, the prioritization of the interest of creditors in managing the affairs of FP GmbH, in substance, limits management's decision-making ability resulting in management being deemed to have lost control of FP GmbH on the date the DIP application was submitted to the German court. As a consequence of management losing control of FP GmbH, the Company's financial statements for the year ending 31 December 2022, will include a nonrecurring impairment loss equal to Operation's investment in FP GmbH. As of December 31, 2021, Operation's investment in FP GmbH totals 19.4 million DKK.

Notes to the Financial Statements

7 Intellectual Property Proceedings and the Settlement and License Agreement

In February 2017, the Company entered into a Settlement and License Agreement (the "License Agreement") with two wholly owned subsidiaries of Biogen Inc. (collectively "Biogen"). Prior to entering into the License Agreement, the Company was actively developing FP187®, a proprietary formulation of dimethyl fumarate ("DMF"), for the treatment of multiple sclerosis ("MS") patients. In accordance with the License Agreement, Biogen paid the Company a non-refundable fee of $1.25 billion (DKK 8.7 billion) ("Non-refundable Fee") in February 2017. The License Agreement also provided for contingently payable royalties due to the Group, as defined in the License Agreement, based on the outcome of certain matters discussed further below.

The License Agreement did not resolve, among others, the pending opposition proceeding (the "Opposition Proceeding") against the Company's European patent EP2801355 ("the '355 Patent"). The License Agreement contemplated the Opposition Division, the Technical Board of Appeal and the Enlarged Board of Appeal of the European Patent Office (the "EPO"), as applicable, to make final determinations in the proceedings before them. The final determinations in the proceedings would determine whether future royalties are due to the Company in accordance with the License Agreement.

If the Company is successful in the Opposition Proceeding (i.e., the Company obtains, as a result of the Opposition Proceeding, and any appeals therefrom, a patent with a claim covering oral treatment of MS with 480 mg/day of DMF), it would be eligible to collect a 10% royalty from January 1, 2021 to December 31, 2028 and a 20% royalty from January 1, 2029 until the earlier of the expiration or invalidation of the patents as defined in the License Agreement, on a country-by-country basis on Biogen's net sale outside the United States of DMF-containing products indicated for treating MS that, but for the license granted under the License Agreement, would infringe a Company patent, provided that other conditions of the License Agreement are satisfied. Among the conditions that need to be satisfied for any royalty to be payable by Biogen to the Company is the absence of generic entry in a particular geography having a particular impact as defined in the License Agreement.

On January 29, 2018, the Opposition Division of the EPO concluded the oral proceedings concerning the 355 Patent and issued an initial decision in the Opposition Proceeding. The Opposition Division revoked the 355 Patent after considering third-party oppositions from several opponents. On March 22, 2018, the Opposition Division issued its written decision with detailed reasons for the decision, on May 7, 2018, the Company submitted its notice of appeal, and on August 1, 2018, the Company submitted the detailed grounds for the appeal. On July 8, 2019, the Company received notice from the EPO that the appeal would be heard by the TBA of the EPO on June 18, 2020 (the "2020 Hearing").

The 2020 Hearing was postponed twice as the result of the coronavirus 2019 ("COVID-19") pandemic and was finally heard by the TBA on September 6, 2021 (the "September 2021 Hearing"). At the conclusion the September 2021 Hearing, the TBA announced that it had dismissed the Company's appeal of the previous decision of the Opposition Division to revoke the 355 Patent and that the detailed reasons for the dismissal would be published at a later date. The TBA made its decision after considering the Company's appeal against the decision of the Opposition Division and third-party submissions from several opponents.

The TBA published the detailed reasons for their decision on November 18, 2021. Following the review and evaluation of the TBA's published reasoning for their decision, the Company submitted a petition ("Petition") to the Enlarged Board of Appeal ("EBA") of the EPO asking the EBA to review the TBA's decision in an effort to

7 Intellectual Property Proceedings and the Settlement and License Agreement (continued)

overturn the unfavorable outcome. The Petition asserts that a procedural error was made by the TBA that resulted in the erroneous decision to dismiss the Company's appeal. While management believes there are compelling factors supporting why the TBA failed to comply with the required procedural aspects when reaching its decision in the September 2021 Hearing, the likelihood of the Petition being successful is low.

The Petition to the EBA was submitted on January 27, 2022 and management estimates that it will take between six and twelve months to receive a response whether the EBA will admit the Petition.

If the EBA rejects the Petition and declines to review the TBA's decision

The EBA's rejection of the Petition to review the TBA's decision would end the Opposition Proceeding in favor of the opponents. The rejection of the Petition would also represent an unsuccessful outcome of the Opposition Proceeding, resulting in no royalty being due to the Group from Biogen based on Biogen's net sales outside the United States, as defined in the License Agreement.

If the EBA admits the Petition and elects to review the TBA's decision

If the EBA admits the Petition, management expects the EBA to take up to two years to reach a conclusion as to whether the TBA complied with the required procedural aspects while conducting the September 2021 Hearing.

If after the EBA completes its review, it does not agree with management that the TBA failed to comply with certain procedural aspects while conducting the September 2021 Hearing, it would represent an unsuccessful outcome of the Opposition Proceeding, resulting in no royalties being due to the Group from Biogen based on Biogen’s net sales outside the United States, as defined in the License Agreement.

If after the EBA completes its review, it agrees with management that the TBA failed to comply with certain procedural aspects while conducting the September 2021 Hearing, the EBA may ask the TBA to hear the parties again and reach a new decision. If the TBA reverses its decision and now rules in favor of the Company, management expects the TBA will remand the case to the Opposition Division, in order for the Opposition Division to resolve the remaining elements of the original opposition. If the TBA remands the case to the Opposition Division, it is uncertain when the Opposition Division would resolve the remaining elements of the original opposition and there is a real risk that the Opposition Division rules against the Company after considering the remaining elements of the original opposition. The Group is not entitled to any royalty payments from the License Agreement until and unless all remaining elements of the original opposition are resolved in its favor. If the TBA does not reverse its decision, it would represent an unsuccessful outcome of the Opposition Proceeding, resulting in no royalties being due to the Group from Biogen based on Biogen's net sales outside the United States, as defined in the License Agreement.

As the result of the complexity of the Opposition Proceeding combined with numerous factors that can affect the outcome, many of which are outside the control of the Company, it is difficult to estimate when the Opposition Proceeding will conclude; however, achieving a favorable outcome in the Opposition Proceeding could take up to four years and possibly longer. Potential royalties due to the Group in accordance with the License Agreement are contingent on a successful outcome of the Opposition Proceeding, which is doubtful, and

Notes to the Financial Statements

7 **Intellectual Property Proceedings and the Settlement and License Agreement** (continued)

provided other conditions, as defined in the License Agreement, are met. Even if there is a favorable outcome in the Opposition Proceeding, if the other conditions, as defined in the License Agreement, are not met, future royalties will not be due to the Group. Therefore, after considering the uncertainty of the successful outcome in the Opposition Proceeding combined with the uncertainty of meeting the other conditions, as defined in the License Agreement, management believes it is unlikely that future royalties will be due the Company in accordance with the License Agreement.

Notes to the Financial Statements

8 Accounting Policies

The Annual Report of Forward Pharma A/S for 2021 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 for 2021 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned in accordance with International Financial Reporting Standard No15 *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 recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

8 Accounting Policies (continued)

Income Statement

Revenue

The Company had no revenue in 2021 or 2020.

Other external expenses

Other operating expenses include Management fee charged from other Group entities as well as service of a secondary nature to the main activities of the Company.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses and the fair value of share-based payment.

Share-based payment

Employees, board members and consultants (who provide services similar to employees) of the Company receive remuneration in the form of equity settled awards whereby services are rendered as consideration for equity awards (warrants, deferred shares or share options). The fair value of these equity settled awards is determined at the date of grant resulting in a fixed fair value at grant date that is not adjusted for future changes in the fair value of the equity awards that may occur over the service period. Fair value of warrants and options is determined using the Black-Scholes model while fair value of deferred shares is determined as the fair value of the underlying shares less the present value of expected dividends.

Non-employee consultants (who perform services not similar to employees) of the Company have received equity settled awards in the form of warrants or share options as remuneration for services. The fair value of these equity settled awards is measured at the time services are rendered using the Black-Scholes model. Under this method, the fair value is determined each quarter over the service period until the award vests.

The cost of share-based payments is recognized as an expense together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled.

Other operating income

Other operating income is comprised of Management fee charged to other Group entities. Management fee is recognized along with provision of related services.

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.

Notes to the Financial Statements

8 Accounting Policies (continued)

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 result for the year is recognized 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 and Forward Pharma FA ApS. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable income.

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 2021 and 2020, the Company's ability to generate taxable profits in the future is not assured; therefore, the Company's deferred tax assets at 31 December 2021 and 2020 do not meet the criteria for financial statement recognition.

Balance Sheet

Investments in subsidiaries

Investments in subsidiaries are measured at cost less impairment losses.

Investment in subsidiaries is 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 include primarily prepaid insurance premiums.

Notes to the Financial Statements

8 Accounting Policies (continued)

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 re assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognized outside the profit or loss are recognized in correlation to the underlying transaction either in other comprehensive income or directly 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.

Financial debts

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

Accrued liabilities

Accrued liabilities comprise payments received in respect of income in subsequent years.