Forward Pharma A/S

Strandvejen 125, DK-2900 Hellerup

Annual Report for 2023

CVR No. 28 86 58 80

The Annual Report was presented and adopted at the Annual General Meeting of the company on 28/6 2024

Frederik B. Hasling
Chairman of the general meeting

pwc

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 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Hellerup, 7 May 2024

Executive Board

DocuSigned by:
D91047A0448848A...
Claus Bo Søndergaard Svendsen
CEO

Board of Directors

DocuSigned by:
8C2285638ABA408...
Florian Schønharting
Chairman

DocuSigned by:
FB6A88A39FBF492...
Jakob Mosegaard Larsen

DocuSigned by:
69174FE9FF524F1...
Grant Hellier Lawrence

DocuSigned by:
1B5303ED7458446...
Torsten Goesch

DocuSigned by:
90757C50A906450...
Duncan Moore

Independent Auditor's report

To the shareholder of Forward Pharma A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Forward Pharma A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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' 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financial 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 Financial Statements Act.

Based on the work we have performed, in our view, 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.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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:

- 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.

Hellerup, 7 May 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

DocuSigned by:
96584D9D4765486...
Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

DocuSigned by:
Christian Bo Gjelstrup Pedersen
2FE1E38C1C6A4D8...
Christian Bo Gjelstrup Pedersen
State Authorised Public Accountant
mne50612

Company information

The Company	Forward Pharma A/S Strandvejen 125 DK-2900 Hellerup CVR No: 28 86 58 80 Financial period: 1 January - 31 December Incorporated: 1 July 2005 Municipality of reg. office: Gentofte
Board of Directors	Florian Schønharting, chairman Jakob Mosegaard Larsen Grant Hellier Lawrence Torsten Goesch Duncan Moore
Executive Board	Claus Bo Søndergaard Svendsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management's review

Key activities

Forward Pharma A/S (the "Company") is a limited liability company incorporated and domiciled in Denmark. The Company's registered office is located in Hellerup, Denmark. The Company's directly owned subsidiaries includes Forward Pharma Operations ApS ("Operations") and Forward Pharma USA, LLC ("FP USA"). Operations' wholly owned subsidiary Forward Pharma GmbH ("FP GmbH") is under voluntary liquidation and has entered into debtor-in-possession ("DIP") proceedings. The Company and its directly and indirectly owned subsidiaries are referred to herein 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"). The License Agreement provided Biogen with a co-exclusive license in the United States, and an exclusive license outside the United States to defined intellectual property of the Company. In accordance with the License Agreement, Biogen paid the Company a non-refundable fee of $1.25 billion (8.7 billion DKK based on the prevailing exchange rate) in February 2017. The License Agreement provided for contingently payable royalties due the Group, as defined in the License Agreement, in the event the Group was successful in defending certain intellectual property in the United States and/or Europe (collectively "Patents").

After concluding lengthy legal proceedings, it was determined that the Patents were invalid and unenforceable, and as the result of the unsuccessful outcomes in the proceedings, no royalties will be due to the Group as provided for in the License Agreement.

As a result of entering into the License Agreement, the Company has permanently discontinued all research and development.

After considering the unsuccessful outcome in the patent proceedings and the lack of future business opportunities, the Company initiated steps to reduce costs and wind down activities to preserve capital until the tax matter in Germany (see Note 7) concludes. The cost reductions included the suspension of the Company's reporting obligations in the United States under the rules and regulations of the Securities and Exchange Commission. In January 2023, the Company's American Depositary Shares were officially delisted from the Nasdaq stock exchange in the United States and are now trading over-the-counter in the United States. In January 2024, the Company decided to terminate its ADS facility with effectiveness on 05 February 2024. As a consequence of that, a process is ongoing whereby ADS holders until 07 June 2024 can surrender their ADSs for cancellation for delivery of the underlying ordinary shares in the Company. There is currently no public trading market for ordinary shares in the Company. Upon the conclusion of the tax matter in Germany, the Company's board of directors will evaluate strategic alternatives to maximize shareholder value that include discontinuing operations and liquidating the Company.

The income statement of the Company for the year ended December 31, 2023 shows a loss of DKK 3.8 million. This is in line with our expectations at the beginning of the year. As of December 31, 2023, the Company held cash and bonds of DKK 419 million and the Company's equity totaled DKK 428 million. The Company currently estimates that there will be adequate liquidity to continue as a going concern beyond the next twelve months. There are uncertainties that could negatively affect our estimated cash spend in 2024 including but not limited to, an unforeseen negative outcome of the tax audit in Germany. For more detailed information, please see Note 7 to the accompanying financial statements.

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 in Note 7 to the accompanying financial statements will exhibit a lower net loss in 2024; however, unforeseen events can occur that could negatively affect our expectations.

Income statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Other operating income		1,689,028	6,082,516
Other external expenses		-7,819,634	-17,714,310
Gross loss		**-6,130,606**	**-11,631,794**
Staff expenses	1	-1,827,022	-3,074,483
Profit/loss before financial income and expenses		**-7,957,628**	**-14,706,277**
Income from investments in subsidiaries	2	-2,152,690	-29,183,473
Financial income	3	15,403,802	13,519,298
Financial expenses	4	-9,126,000	-1,112,395
Profit/loss before tax		**-3,832,516**	**-31,482,847**
Tax on profit/loss for the year		0	0
Net profit/loss for the year		**-3,832,516**	**-31,482,847**

Distribution of profit

	2023	2022
	DKK	DKK
Proposed distribution of profit		
Retained earnings	-3,832,516	-31,482,847
	-3,832,516	**-31,482,847**

Balance sheet 31 December

Assets

	Note	2023	2022
		DKK	DKK
Investments in subsidiaries	5	278,412,199	278,702,097
Fixed asset investments		**278,412,199**	**278,702,097**
Fixed assets		**278,412,199**	**278,702,097**
Receivables from group enterprises		0	5,040,807
Other receivables		2,145,830	4,770
Corporation tax		344,845	0
Prepayments		5,041,459	3,005,221
Receivables		**7,532,134**	**8,050,798**
Current asset investments	6	**376,186,331**	**0**
Cash at bank and in hand		**42,553,930**	**243,125,591**
Current assets		**426,272,395**	**251,176,389**
Assets		**704,684,594**	**529,878,486**

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		1,014,736	998,766
Other reserves		0	44,179,179
Retained earnings		425,431,041	385,218,785
Equity		**426,445,777**	**430,396,730**
Trade payables		627,099	1,950,624
Payables to group enterprises		277,565,437	97,245,185
Other payables		46,281	285,947
Short-term debt		**278,238,817**	**99,481,756**
Debt		**278,238,817**	**99,481,756**
Liabilities and equity		**704,684,594**	**529,878,486**
Contingent assets, liabilities and other financial obligations	7		
Subsequent events	8		
Accounting Policies	9		

Statement of changes in equity

	Share capital	Other reserves	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2023	998,766	44,179,179	385,218,785	430,396,730
Share issuance	15,970	0	0	15,970
Treasury shares	0	-134,407	0	-134,407
Transferred	0	-44,044,772	44,044,772	0
Net profit/loss for the year	0	0	-3,832,516	-3,832,516
Equity at 31 December 2023	**1,014,736**	**0**	**425,431,041**	**426,445,777**

During the year ended December 31, 2023, the Company acquired 96,452 ordinary shares. Such shares are held in treasury at December 31, 2023

The Company holds a total of 96,452 shares with a nominal value of DKK 965 corresponding to 0.1% of the total share capital.

	Share capital	Other reserves	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2022	982,644	44,179,104	416,701,632	461,863,380
Share issuance	16,122	0	0	16,122
Share-based compensation	0	75	0	75
Net profit/loss for the year	0	0	-31,482,847	-31,482,847
Equity at 31 December 2022	**998,766**	**44,179,179**	**385,218,785**	**430,396,730**

Notes to the Financial Statements

	2023	2022
	DKK	DKK
1. Staff Expenses		
Wages and salaries	1,960,537	2,896,220
Other social security expenses	-133,515	178,188
Other staff expenses	0	75
	1,827,022	**3,074,483**
Average number of employees	**2**	**2**

	2023	2022
	DKK	DKK
2. Income from investments in subsidiaries		
Impairment of investments in subsidiaries	-2,152,690	-29,183,473
	-2,152,690	**-29,183,473**

	2023	2022
	DKK	DKK
3. Financial income		
Interest on bonds	4,170,928	0
Fair value adjustment on bonds	9,122,909	0
Other financial income	2,109,965	3,636,222
Exchange gains	0	9,883,076
	15,403,802	**13,519,298**

	2023	2022
	DKK	DKK
4. Financial expenses		
Interest paid to group enterprises	2,567,813	960,352
Other financial expenses	1,082,124	152,043
Exchange loss	5,476,063	0
	9,126,000	**1,112,395**

5. Investments in subsidiaries

	2023	2022
	DKK	DKK
Cost at 1 January	692,290,012	689,581,973
Additions for the year	1,862,792	2,708,039
Cost at 31 December	694,152,804	692,290,012
Value adjustments at 1 January	-413,587,915	-384,404,442
Revaluations for the year, net	-2,152,690	-29,183,473
Value adjustments at 31 December	-415,740,605	-413,587,915
Carrying amount at 31 December	**278,412,199**	**278,702,097**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
Forward Pharma Operations ApS	Hellerup, DK	100%	279,126,138	1,043,207
Forward Pharma USA, LLC	Montebello, New York, USA	100%	329,268	-2,152,690
			279,455,406	**-1,109,483**

6. Fair values

	Value adjustment, income statement	Fair value at 31 December
	DKK	DKK
Bonds	9,122,909	376,186,331

7. Contingent assets, liabilities and other financial obligations

Other 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 tax group, for the tax obligations of the Danish tax group. Any adjustment to the Danish tax group's taxable income could increase the Company's liability.

Tax uncertainties

Income tax audits in Denmark and Germany

The Danish and German tax authorities conducted a joint income tax audit of the Group's Danish and German income tax returns covering multiple years through the year ended December 31, 2017. The joint income tax audit focused primarily on one intercompany transaction (the "Transaction") that occurred in 2017 between the Company and FP GmbH 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.

The income tax audit in Denmark concluded with no changes proposed to the Group's Danish tax filings. As discussed in more detail below, the German tax authorities disagree with FP GmbH's determination of the fair value of the Transaction, have taken the position that FP GmbH's 2017 taxable income was materially understated and have assessed additional taxes and interest that are material. An increase of FP GmbH's 2017 taxable income in Germany as discussed herein, without a corresponding offset to the Group's 2017 Danish tax filing, would result in double taxation.

FP GmbH is based in Leipzig (Germany) and therefore the German tax authorities have been represented by individuals from the local tax office in Leipzig and the German federal central tax office.

Income tax audit in Germany

During July 2022, FP GmbH received the tax audit report ("Report") from the German tax authorities in connection with the tax audit of FP GmbH's German tax filings covering multiple years through the year ended December 31, 2017. The Report represents the final findings of the German tax authorities. The Report alleges that the Transaction was not conducted at fair value (i.e., in line with the arm's length principle) and that FP GmbH's taxable income for the year ended December 31, 2017 was understated by 252.9 million EUR (1.9 billion DKK, based on the December 31, 2023 exchange rate). The tax obligation associated with an increase in FP GmbH's taxable income of 252.9 million EUR is 80.7 million EUR (601 million DKK, based on the December 31, 2023 exchange rate). The Company and FP GmbH disagree with the positions taken by the German tax authorities and assert that the Transaction was conducted at fair value, as determined in accordance with generally accepted arm's length principles, and no additional income taxes are due in Germany. FP GmbH, with the assistance from the Group's tax advisors, has responded to the Report arguing that the Transaction was conducted at fair value and why the positions taken in the Report by the German tax authorities are incorrect.

Subsequent to the receipt of the Report, FP GmbH received tax, interest and related municipality fee assessment notices (collectively, "Tax Levy") totaling 85.8 million EUR (639 million DKK, based on the December 31, 2023 exchange rate). The individual assessment notices were due and payable at various dates during the two-year period ended December 31, 2023.

Notes to the Financial Statements

7. Contingent assets, liabilities and other financial obligations

In addition to the Tax Levy, beginning in July 2022, suspension interest charges will accrue on the Tax Levy at a rate of 0.5% per month. The amount of suspension interest that will accrue through the conclusion of the tax dispute in Germany cannot be estimated but could be material.

FP GmbH does not have sufficient liquidity or any other assets enabling it to pay the Tax Levy, accordingly, the Tax Levy was not paid when due and continues to accrue interest in accordance with the terms discussed above. FP GmbH submitted applications to the German tax authorities requesting suspension of payment of the Tax Levy and subsequently received notices ("Notices") from the German tax authorities that such applications were accepted. The Notices provide FP GmbH with a temporary suspension of payment of the Tax Levy. The tax obligation computed based on the Report is significantly larger than the total assets of FP GmbH, accordingly, upon the receipt of the Report, FP GmbH was deemed insolvent. See below for the discussion regarding FP GmbH entering preliminary debtor-in-possession proceedings for more information about the insolvency of FP GmbH caused by the Tax Levy.

European, Danish and German tax regulations generally provide FP GmbH and the Company with several approaches to resolve their tax dispute with the German tax authorities. Such approaches include, initiating a Mutual Agreement Procedure ("MAP" (discussed further below)), submitting a formal objection ("Objection Proceeding") to the assessment notices stemming from the Report to the Leipzig tax office's administrative appeals tribunal, an independent body within the Leipzig tax office, and/or commence litigation against the German tax authorities (individually referred to as an "Approach"). Management intends to vigorously defend FP GmbH's 2017 tax filing position and is prepared to take advantage of the most advantageous Approach to argue that the Transaction was conducted at fair value (i.e., at arm's length) and no additional taxes are due in Germany.

An increase of FP GmbH's 2017 taxable income in Germany as discussed above without a corresponding offset to the Danish joint tax groups' 2017 Danish tax filing, would result in double taxation. Relief from double taxation can be obtained through entering into a MAP, comprising a government-to-government dispute resolution mechanism, a successful outcome from the Objection Proceeding or a successful outcome from litigation against the German tax authorities. If relief is sought through a MAP, double taxation will be eliminated; however, there is no assurance that a MAP would eliminate a net increase in the Danish joint tax group's and FP GmbH's combined total income tax expense. A net increase in the Group's combined income tax expense could have a material negative effect on the Company's financial position, results of operations and cash holdings.

A MAP application was submitted to the Danish and German tax authorities during July 2023 and the corresponding procedure was formally initiated on 20 September 2023, giving the Danish and German tax authorities until 20 September 2025 to resolve the double taxation through mutual agreement. If such mutual agreement is not reached by the deadline, which partly is at discretion of the authorities and taxpayers involved, an arbitration process is initiated involving mediators formally referred to as an advisory commission. This arbitration process will ultimately resolve the double taxation and is expected to last approximately one year.

After consultations with the Group's tax advisors, management continues to believe that it is probable (i.e., more likely than not) that FP GmbH will not be required to pay additional income taxes to the German tax authorities upon the conclusion of the tax dispute with the German tax authorities. Such a determination is inherently subjective and, if it is incorrect, then FP GmbH may be subject to significant additional tax and other expenses that could have a material negative effect on FP GmbH.

Notes to the Financial Statements

7. Contingent assets, liabilities and other financial obligations

At the conclusion of the tax dispute, if the German tax authorities are successful in enforcing the Tax Levy, in whole or in part, and if FP GmbH is unable to pay such obligation, there is the risk that the German tax authorities could commence litigation against the Group in Denmark to collect any unpaid portion of the Tax Levy. If such a claim were to be made against the Group, it would likely be time consuming to resolve, very costly to the Group to defend, and could have a material adverse effect on the Group's financial position, operating results and cash holdings.

Subject to the Danish joint tax group's ability to get relief from double taxation through a MAP, an increase in FP GmbH's taxable income would be taxed at the German effective tax rate of 31.9% while reducing the taxable income in Denmark that was taxed at 22.0%. FP GmbH has available tax loss carryforwards that could be used to partially mitigate an increase in FP GmbH's taxable income from a transfer pricing adjustment. Therefore, an increase in FP GmbH's taxable income, that is not covered by FP GmbH's tax loss carryforwards and not subject to minimum taxation rules in Germany, would result in a net increase in the combined income tax expense of FP GmbH and the Danish joint tax group at a rate of approximately 10 percentage points. Assuming FP GmbH's taxable income is increased by 252.9 million EUR, as set out in the Report, subject to the Danish joint tax group's ability to obtain relief from double taxation in Denmark of 55.6 million EUR (414 million DKK based on the December 31, 2023 exchange rate), it is estimated that the net increase in the Danish joint tax group's and FP GmbH's combined income tax expense, will be approximately 25.1 million EUR (187 million DKK based on the December 31, 2023 exchange rate) before applicable interest and/or penalties.

The cost to defend that the Transaction was conducted at fair value (at arm's length) and no additional taxes are due in Germany, individually, or in combination with any potential taxes, interest, and penalties due at the ultimate resolution of the tax dispute with the German tax authorities, could have a material adverse effect on the Group's financial position, operating results, and cash holdings.

The time period to ultimately settle the tax dispute with the German tax authorities discussed above, is currently unknown; however, management does not believe the dispute will conclude within the next twelve months and could be three years or longer before the matter is finally resolved.

FP GmbH enters preliminary debtor-in-possession proceedings

In order to put the Group in the best position to defend the disputed tax filing position in Germany and protect the interests of the Company and FP GmbH, FP GmbH, on April 28, 2022, submitted an application to request that the German courts allow FP GmbH to enter into debtor-in-possession ("DIP") proceedings. DIP proceedings have been opened in a German insolvency court (the "Court") and are in the preliminary stage ("Preliminary DIP Proceedings") until the Court acts on FP GmbH's application to enter into DIP proceedings. At the time the Report was received, if FP GmbH was not in Preliminary DIP Proceedings, it was likely FP GmbH would have been forced into ordinary insolvency proceedings. While in Preliminary DIP Proceedings, FP GmbH's management continues to oversee the day-to-day operations of FP GmbH and retains the ability to manage a MAP, Objection Proceeding and/or litigation against the German tax authorities, while a Court-appointed representative ("Representative") monitors the activities of FP GmbH.

Notes to the Financial Statements

7. Contingent assets, liabilities and other financial obligations

Management is unable to predict when or if the Court will approve FP GmbH's application to enter DIP proceedings ("Ordinary DIP Proceedings"). If FP GmbH enters into Ordinary DIP Proceedings, FP GmbH's management, under the supervision of the Representative, continues to oversee the day-to-day operations of FP GmbH; if Ordinary DIP Proceedings are rejected, FP GmbH would likely enter into ordinary insolvency proceedings, at which time a Court-appointed insolvency administrator would take over the day-to-day operations of FP GmbH and management would no longer have any oversight over FP GmbH. The loss of oversight over FP GmbH could negatively impact management's ability to defend FP GmbH's 2017 tax filing position and dispute the allegations made by the German tax authorities in the Report. Subject to the Court's determination regarding entry into Ordinary DIP Proceedings, management of FP GmbH intends to take all available steps to avoid entering into ordinary insolvency proceedings; however, the Court, in its sole discretion, will make the final determination whether or not FP GmbH's application to enter Ordinary DIP Proceedings is accepted. Avoidance of ordinary insolvency proceedings is not under the control of management.

At the conclusion of a MAP, Objection Proceeding and/or litigation against the German tax authorities, in the event FP GmbH is required and unable to pay a tax levy, FP GmbH would likely be deemed insolvent and insolvency proceedings would begin. Insolvency proceedings would likely lead to the orderly liquidation of FP GmbH and such proceedings would have a material negative effect on FP GmbH. In addition, as explained in more detail below, the insolvency of FP GmbH could expose the Group to claims made by a Court-appointed insolvency administrator and such claims could have a material negative effect on the Company's financial position, operating results, and cash holdings.

Financial reporting implications of FP GmbH entering into preliminary debtor-in-possession proceedings

Under Preliminary DIP Proceedings and Ordinary DIP Proceedings, FP GmbH's management is obligated to put the interest of creditors before the interest of shareholders when overseeing the day-to-day operations of FP GmbH. In addition, while in Preliminary DIP Proceedings, or Ordinary DIP Proceedings, the Representative is assigned to supervise all the activities taken by FP GmbH's management while managing the affairs of FP GmbH. FP GmbH's management is obligated to consult with, and take advice from, the Representative when making operating decisions on behalf of FP GmbH. In the event FP GmbH's management fails to adhere to the advice of the Representative, FP GmbH's management can be held personally liable to the creditors of FP GmbH for damages that result from not adhering to the advice of the Representative. The threat of personal liability against FP GmbH's management safeguards the interest of FP GmbH's creditors and provides some assurance that FP GmbH's management will comply with the advice of the Representative. For financial reporting purposes, the prioritization of the interest of creditors in managing the affairs of FP GmbH, combined with the influence the Representative has on management's decision-making capabilities, in substance, limits management's decision-making ability resulting in the Group losing control over FP GmbH. As a consequence of management losing control of FP GmbH, upon FP GmbH entering Preliminary DIP Proceedings, Operations' investment in FP GmbH, totaling 19.4 million DKK, was deemed impaired resulting in Operations incurring a nonrecurring impairment loss of 19.4 million DKK ("Impairment Loss") in 2022. The Impairment Loss was considered when management evaluated the carrying value of the Company's investment in Operations for impairment and is therefore, via the impairment of the Company's investment in Operations, included in the accompanying income statement, within the Impairment of investment in subsidiary, for the year ended December 31, 2022.

8. Subsequent events

In January 2024, the Company decided to terminate its ADS facility with effectiveness on 5 February 2024. As a consequence of that, a process is ongoing whereby ADS holders until 7 June 2024 can surrender their ADSs for cancellation for delivery of the underlying ordinary shares in the Company. There is currently no public trading market for ordinary shares in the Company.

Subsequent to 31 December 2023, there were no events that are required to be reported except for the above mentioned.

9. Accounting policies

The Annual Report of Forward Pharma A/S for 2023 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 2023 are presented in DKK.

Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

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.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

Income statement

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.

Gross loss

The Company had no revenue in 2023 or 2022.

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 received 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.

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 and expenses

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

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" includes impairment of investments in subsidiaries.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

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.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is part of a Danish joint taxation group with NB FP Investment General Partner ApS and Forward Pharma Operations 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.

Notes to the Financial Statements

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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.

Current Asset Investments

Current Asset Investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

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 liabilities

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

Deferred income

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